

## Flash Note 05/12/2018

Alex Fusté  
@AlexFusteAlex  
[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

### China to implement what was agreed in the Xi-Trump talks (official statement)

- In a statement, the Ministry of Commerce said the trade meeting with the US was “very successful” and is confident of implementing the results agreed upon at the talks, but didn’t provide any further details on the outcome.
  - According to the statement, “China will start as soon as possible with specific items that both sides have consensus on and will push forward on trade negotiations with the US within 90 days and negotiations will be conducted according to the clear timetable and road map.”
- Another step in the right direction: Chinese government agencies signed a memorandum of cooperation for joint efforts to strengthen punishment for intellectual property infringements. Offenders will be publicized and blacklisted, making it harder to obtain government financial support, participate in government procurement, issue corporate bonds and acquire government land supply.
- Another good news is that Trump issued waivers for sanctions against some countries buying oil from Iran. Why I consider this as good news? Simply, because I frame this action in a combined effort from Washington to cut oil price (so far a successful strategy), which suggest that Trump has abandoned his hardline ship at the slightest sign of economic or market stress.

I’m aware that Trump needs to look tough now that is in trouble politically, with a democratic majority in the House and the Mueller investigation close to completion, and that threatening China (or the EU) with a big tariff is the cheapest way to mark territory, but actions such as issuing waivers on Iran’s sanctions (after having kept such a hard speech), makes me feel confident with the apparent prevailing doctrine of “Shout loudly and carry a white flag”.

A key question is how hard the hardliners (Bolton, Navarro and Lighthizer) will push? But we also must ask how hard the business community will push? Just recall how GM, after loosing US\$1bn due to tariffs on aluminum, announced 14.000 layoffs. More important was yesterday’s 4.4% fall in US small caps (Russell 2000 Index). It seems as if the “Trump Style” is turning against the interest of those he claims to defend. Let’s see how long the big boss can stand.

Best regards from Lisbon