

Flash note  
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## Geopolitics in Full Swing

I hereby inform you of the most important developments of the last 24 hours in the field of international politics, with potential impact on regional markets and assets.

- **Biden administration discusses raising tariffs on Chinese Electric Vehicles (EVs):** Biden administration is considering raising tariffs on some Chinese goods, including EVs, solar products and EV batteries, in an effort to protect US clean-energy industry and signal tougher stance on China ahead of 2024 presidential election. White House will debate Trump-era tariffs on roughly \$300B of Chinese goods early next year. Washington does not consider lowering duties on some Chinese products as “strategically important”. My view is that raising tariffs on Chinese EVs will complicate efforts by both sides to stabilize relations.
- **Xi Jinping told Biden during summit in the US that “China will reunify Taiwan”:** NBC News noted in a report that President Xi told President Biden during their recent summit in California that Beijing will reunify Taiwan but timing has not been decided. This grabbed attention of US officials given that the nature of the summit was aimed at reducing tensions. Beijing requested Biden to make a public statement saying that the US supports China's goal of peaceful unification with Taiwan and that the does not support its independence. White house rejected the request.
- **Foreign Minister Wang Yi warns Philippines against miscalculation in South China Sea:** China's foreign minister Wang Yi told his Philippine counterpart Enrique Manalo in a call to address through dialogue "serious difficulties" in their relations over South China Sea, warning Manila that any miscalculation would prompt Beijing to respond resolutely. Wang's remarks could worsen a dispute that has simmered for years.
- **Beijing home price discrepancy raises questions about the quality of official data, suggesting that they could be manipulated to meet the official targets:** FT pointed out that interviews with real estate brokers showed home sellers in Beijing were cutting prices aggressively, running counter to official statistics that showed housing market remains buoyant in the Chinese capital. Discrepancy stoked concerns about quality of official statistics over fears that they may be manipulated to meet growth targets and authorities might play down extent of property crisis.

- **Foreign investor's sentiment towards China remains decidedly bearish:** Chinese equity markets are underperforming (again) global counterparts in December with CSI 300 down ~5% month-to-date. Bearish sentiment remains pervasive among fund managers with December underweight calls on China stocks outweighing overweight calls by 9%. That left sentiment towards China as the most bearish among other Asian markets. Indeed, China valuations remain low relative to other benchmarks. Still, 74% of investors anticipate further de-rating and 62% saying they prefer to look for opportunities outside China(SCMP).