

## Macro & Markets Radar

China: Still no trade deal as the talks drag on. Trade diversification and autarky used as a coping strategy.

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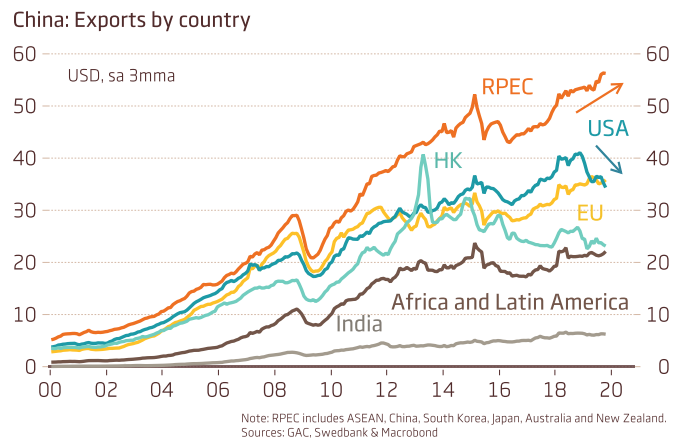
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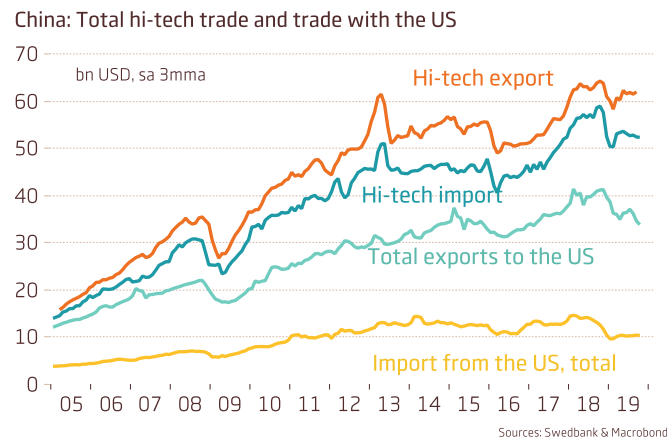
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# China: Still no trade deal as the talks drag on. Trade diversification and autarky used as a coping strategy.

## Exports have continued to shift...



## ...a trend visible in hi-tech exports as well.



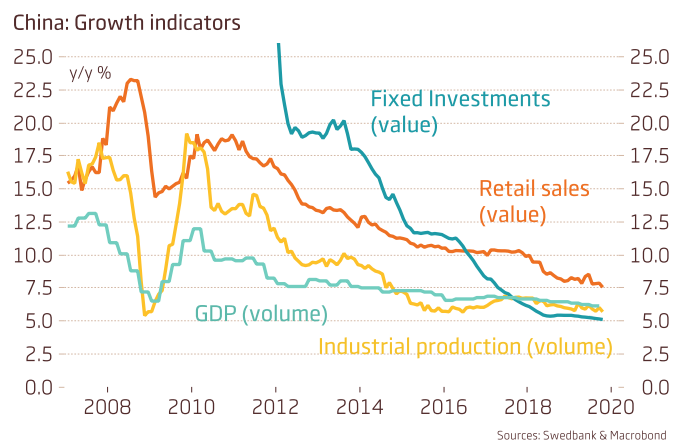
## Chinese data has remained acceptable and credit growth muted...

- October trade data developed sideways and exports remained stronger than imports. Monthly growth indicators showed continued gradual slowdown while falling producer prices still cause concern. PMI has been mixed; but the official figures indicate weaker sentiment.
- Although the data is far from great, so far the Chinese government has room to accept it. Stimulus remains moderate as highlighted by flat October credit data.

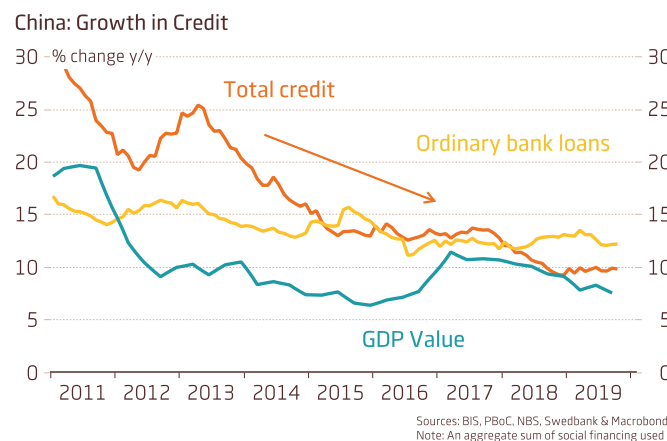
## ...while China shifts its economy away from US influence with a dual strategy...

- China's trade continues to shift out from the US, especially to Asia. Continued work on RPEC, a trade deal between 15 Asian/Pacific countries and the huge Belt and Road project promotes trade diversification and regionalisation, while there are also signs of rapprochement with the EU.
- At the same time, consumers do better than the industry and the role of the domestic economy continues to grow. Autarky and trade regionalisation are two strategies to deal with the trade war that seem to soften its blow.

## A gradual slowdown continues, as expected...



## ...and stimulus has remained moderate.

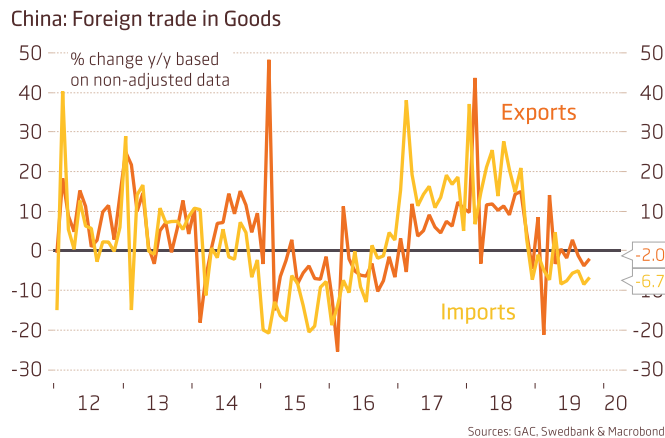


## ...and only a small deal and limited tariff rollback to be expected.

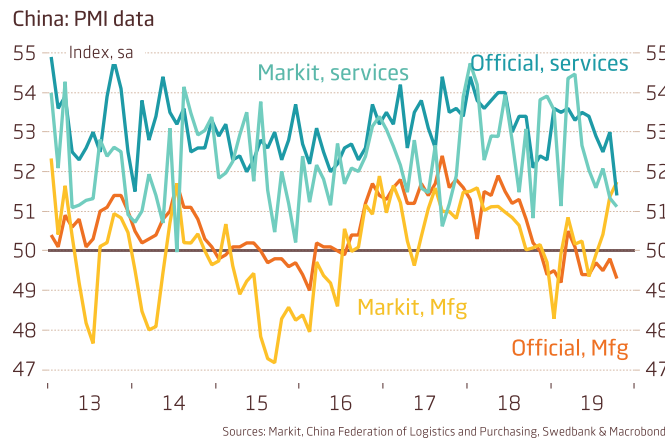
- Mixed messages and lack of details mean that the deal is still far from done, despite a month having passed since last high level talks. The optics of the deal must work for both parties whose domestic audiences should not see weakness. Neither party is in a hurry to move on to the harder negotiations waiting after the mini deal, either.
- The most likely outcome is still a minor deal with limited tariff rollback and promises of more to come. This could still take time, however, and it is possible that the December tariffs will be postponed while the talks drag on.

# Data remains mixed: further weakness to be expected, in the industry, while consumption and services remain stronger.

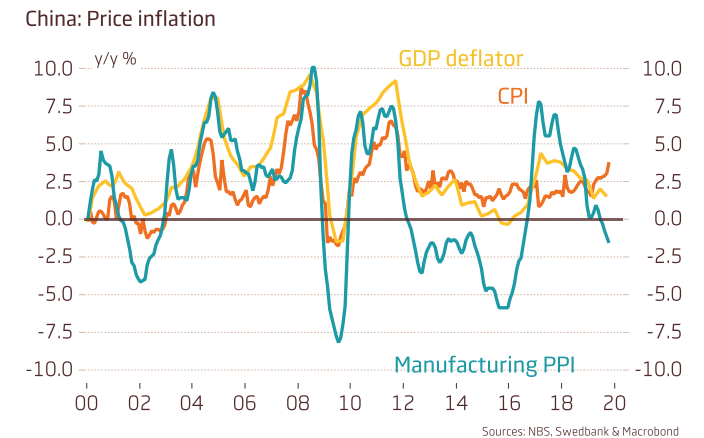
## September trade data developed sideways...



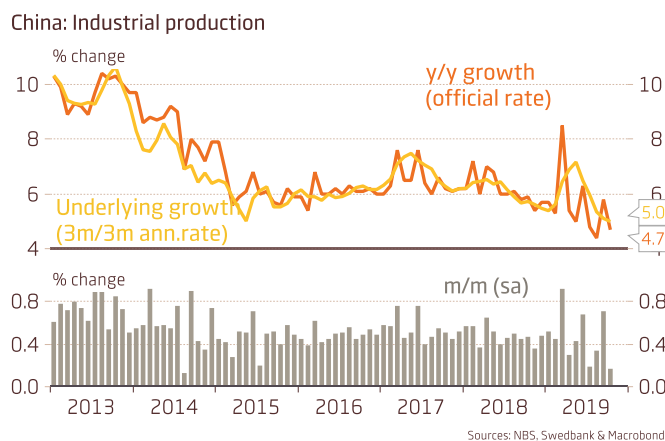
## ...and PMI mixed but tilted in the weaker side...



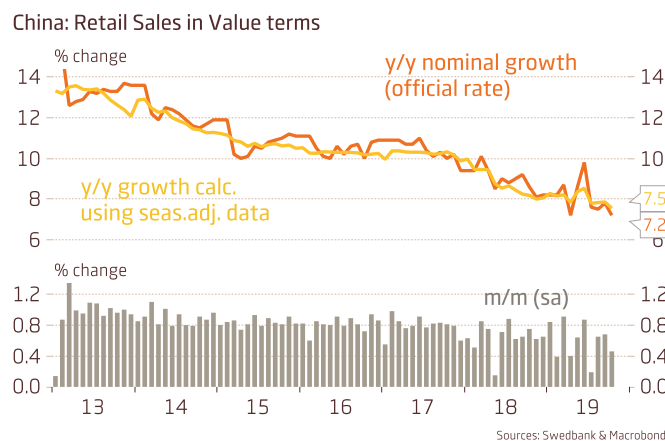
## ...while producer prices have continued to fall...



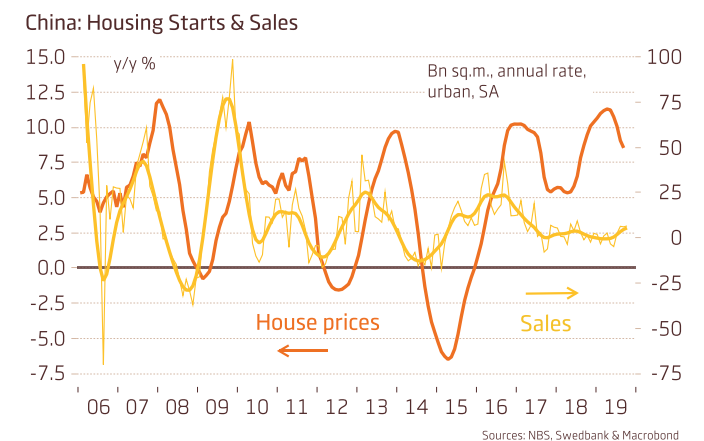
## ...causing the industry to suffer.



## Consumption growth has remained stronger...



## ...but cooling housing mkt may start to weigh.



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