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China's benchmarks close higher again. Latest developements about the trade conflict

Greater China benchmarks closed higher on Tuesday

- Shanghai closed up 0.44% and Shenzhen up 0.71%, with large caps little changed. Economic press noted firmer yuan and inflation data supported sentiment, though an apparent lack of escalation in the trade spat seems to be behind the recent positive performance.

Foreign funds keep pouring into China despite recent yuan weakness

- Yuan depreciation has not perturbed foreign investors' appetite for China's bonds. June saw the yuan's biggest monthly drop against the dollar since 1994, yet overseas investors poured the most into China's domestic bonds in almost two years.
- This contrast is considered for some analysts as a testament to foreign demand for exposure to the country's $12T bond market.
- Yuan was firmer yesterday against the dollar for much of the session following the PBOC's stronger midpoint fixing.

Beijing's mild response to Trump's tariffs - Policies to relieve impacts of China-US trade frictions.

- The Ministry of Commerce unveiled measures to mitigate the impact of China-US trade frictions on companies
    1. A new tax income will be mainly used to relieve the impacts on companies and their employees.
    2. Companies will be encouraged to increase imports of agricultural products such as soybeans and soybean meal, aquatic products, and automobiles from other countries than the USA.
    3. On the other hand, Chinese Premier Li Keqiang and German Chancellor Angela Merkel agreed in Berlin to unequivocally oppose protectionism and safeguard free trade system based on multilateral rules to promote strong, sustainable and balanced global economic growth.

Best