

Flash Note  
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**Trade conflict - Some positive developments?**

**China markets higher again**

- Greater China benchmarks closed sharply higher Thursday with Shenzhen up 2.74%, Shanghai up 2.16%.
- Better performance of small & mid caps (ChiNext rallied). Large caps underperformed.
- Financials stronger.
- There was some positive headline effects from progress on ZTE sanctions lift.
- PBOC yuan fixing was markedly weaker against the dollar (sharpest in 19 months) following a sharp decline overnight, and offshore yuan continues to trade at a discount.

**Trade spat – China would be mulling mild countermeasures against US tariffs (without hurting national interests).**

- Measures being rolled out include: holding up licenses for US firms, delaying approval of mergers and acquisitions involving U.S. companies, or ramping up inspections of American products at borders.
- More importantly, China's Vice Minister of Commerce Wang Shouwen called for a resolution to the conflict via a new round of new bilateral negotiations, matching a willingness from Trump officials to resume high-level talks.
- This resulted on new information last night coming from Chinese and Western media suggesting that “Chinese and US officials raise prospect of resuming trade talks”. This is an information yet to be contrasted, since China's commerce ministry pointed that “China has not been in touch with the United States about restarting trade negotiations”.
- Meanwhile, and according to the American Chamber of Commerce in Shanghai, almost 69% of US businesses operating in China oppose the use of tariffs from Beijing as retaliatory measures. They underline the challenges they face when operating in China, and that go from an uneven playing field to poor protection of intellectual property rights.

Best