



**Philequity Corner (April 15, 2019)**

**By Wilson Sy**

### **Tweet by tweet**

Since the start of 2018, developments surrounding the US-China trade war have moved markets sharply in both directions. Given its profound impact on economic growth and asset prices, fund managers and investors have been closely watching news regarding negotiations between the US and China. For the savvy investor who wants to monitor the status of the trade war, there is one unusual source that provides up-to-date information – Trump’s twitter feed.

### **The trade war – tweet by tweet**

For our readers to understand how the trade war unfolded, we decided to use Trump’s tweets about the subject. Since he became President of the United States, Trump posts an average of 11 tweets a day. Amidst this barrage of tweets, investors nervously wait for anything related to trade or China.

Below are some of Trump’s most important tweets regarding the US-China trade war. By studying these tweets, one may be able to decipher what is in Trump’s mind and how the trade war may finally be resolved.

1. March 2, 2018 - When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!
2. March 7, 2018 - The U.S. is acting swiftly on Intellectual Property theft. We cannot allow this to happen as it has for many years!
3. March 10, 2018 - The European Union, wonderful countries who treat the U.S. very badly on trade, are complaining about the tariffs on Steel & Aluminum. If they drop their horrific barriers & tariffs on U.S. products going in, we will likewise drop ours. Big Deficit. If not, we Tax Cars etc. FAIR!
4. April 4, 2018 - We are not in a trade war with China, that war was lost many years ago by the foolish, or incompetent, people who represented the U.S. Now we have a Trade Deficit of \$500 Billion a year, with Intellectual Property Theft of another \$300 Billion. We cannot let this continue!
5. May 1, 2018 - Delegation heading to China to begin talks on the Massive Trade Deficit that has been created with our Country.
6. May 14, 2018 - President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast. This is also reflective of the larger trade deal we are negotiating with China and my personal relationship with President Xi.
7. May 21, 2018 - China has agreed to buy massive amounts of ADDITIONAL Farm/Agricultural Products - would be one of the best things to happen to our farmers in many years!
8. July 24, 2018 - Tariffs are the greatest! Either a country which has treated the United States unfairly on Trade negotiates a fair deal, or it gets hit with Tariffs. It's as simple as that - and

everybody's talking! Remember, we are the "piggy bank" that's being robbed. All will be Great!

### **Drop in US stock market forces Trump to restart trade negotiations**

The ongoing trade war between the two largest economies exacerbated the ongoing global economic slowdown. Consequently, the US stock market experienced one of its sharpest plunges in recent memory. From peak to trough last year, the Shanghai Composite fell 32% while the S&P 500 fell 20%. As the stock market is one of his main barometers for his success, Trump knew he had to resolve the trade war. This is evident in his tweets below.

1. December 14, 2018 - China just announced that their economy is growing much slower than anticipated because of our Trade War with them. U.S. is doing very well. China wants to make a big and very comprehensive deal. It could happen, and rather soon!
2. December 29, 2018 - Just had a long and very good call with President Xi of China. Deal is moving along very well. If made, it will be very comprehensive, covering all subjects, areas and points of dispute. Big progress being made!
3. January 21, 2019 - China posts slowest economic numbers since 1990 due to U.S. trade tensions and new policies. Makes so much sense for China to finally do a Real Deal, and stop playing around!
4. February 16, 2019 - Trade negotiators have just returned from China where the meetings on Trade were very productive.
5. February 24, 2019 - I am pleased to report that the U.S. has made substantial progress in our trade talks with China on important structural issues including intellectual property protection, technology transfer, agriculture, services, currency, and many other issues. As a result of these very productive talks, I will be delaying the U.S. increase in tariffs now scheduled for March 1.
6. February 25, 2019 - China Trade Deal (and more) in advanced stages. Relationship between our two Countries is very strong.
7. March 1, 2019 - I have asked China to immediately remove all Tariffs on our agricultural products based on the fact that we are moving along nicely with Trade discussions and I did not increase their second tranche of Tariffs to 25% on March 1st.

### **US and China negotiation teams say talks are constructive**

Other than Trump's twitter feed, an investor who wants to monitor the trade war may listen to statements from the US and China negotiation team. These include US Treasury Secretary Steven Mnuchin, National Economic Council Director Larry Kudlow, US Trade Representative Robert Lighthizer and China Vice Premier Liu He. According to them, US trade negotiations are "constructive" and "productive", with both sides "narrowing their differences".

### **Stocks recover on trade deal hopes**

With Trump, his negotiation team and China showing that they are serious about forging a deal to end the trade war, stock markets recovered sharply. The S&P 500 is up 23.6% from the bottom and 15.8% YTD, while the Shanghai Composite gained 29.3% from the bottom with a 27.9% gain since the start of 2019. Hopes for a trade resolution lifted EM equity indices as well, including the

Philippines. If a trade deal is finally reached, it will lay the groundwork for the recovery of the global economy and stock markets worldwide.

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email [ask@philequity.net](mailto:ask@philequity.net).*