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Market Commentary Alert



UPDATE: US-China Meeting Postponed

August 2020 | Robert R. Fragnito | Chief Operating Officer | Financial Advisor

As a follow-up to Friday's [Market Commentary Alert](#), Reuters reported later in the evening that this weekend's anticipated virtual meeting between US and Chinese trade officials was [postponed](#). The meeting was cancelled due to scheduling conflicts allowing China more time to make purchases of US goods.

A new date for the high-level review of the phase-one trade deal has yet to be scheduled, but it does not appear that there are any implications resulting from the postponement. In our view, this is not a negative development for maintaining the agreement and displays flexibility from both parties. US officials remain generally [positive](#) on China's adherence to the agreement despite China's lag in its commitments.

Over the weekend US President Donald Trump said China's increase in purchases of US goods are intended to keep him ["happy"](#) citing Beijing's purchases of US corn. The US Department of Agriculture reported last week that corn sales to China for 2020 were at 959,000 tons, up from 218,000 tons in 2019. Trump's comments were not related to the meeting's cancellation, but we can infer that his comments signal to Beijing that his administration is confident in the trade deal and that it maintains a strong position vis-à-vis tensions in the US-China relationship.

China's President [Xi Jinping](#) also made comments over the weekend concerning Beijing's unshaking commitment to its political and economic system. Xi refused to accept other economic theories for the China, as he believes the "foundation" of his country's political economy will continue to be rooted in Marxism. This is not surprising, but it further solidifies China's ideological position versus the US, and it implies that the competition between the US and China will remain in full force.

Military tensions were again increased as the US conducted a [military exercise](#) in the South China Sea on August 14. The US also delayed its annual joint military drills with ally [South Korea](#) to August 18 over COVID concerns. These drills are less related to China, yet still relevant, but are more likely being monitored by North Korea.

Implications for investors on this matter appear to be minimal. Recent actions by Washington and Beijing on the trade deal are generally positive and do not offer any signals of a breakdown. We believe markets are more focused on the events leading up to the US elections in November, as they are for the Politburo in China. We at MCF will continue to monitor important events effecting markets as they develop, and we continue to rely on our data driven approach in managing portfolios for our clients.

Additional geopolitical events we are monitoring:

- [Israel Says It Expects Bahrain and Oman to Follow UAE in Formalising Ties](#)
- [Foreign Direct Investment to Mexico Nearly \\$18 Billion in First Half of 2020](#)
- [U.S. signs military cooperation agreement with Poland](#)

- [US helicopters attack Syrian army checkpoint, one soldier killed: State media](#)
- [Japan GDP contracts annualized 27.8% in April-June](#)
- [Belarus protests: Lukashenko calls for Russian support as international pressure mounts](#)

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