

CHINA-U.S. RELATIONS STABILIZING, **FOR NOW**

INVESTMENT VIEWS
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China-U.S. relations are expected to stabilize for the foreseeable future, following the meeting of Presidents Trump and Xi in October. The highly anticipated “trade truce” reaches beyond the chips-for-minerals appeasement and runs the gamut — from soybeans to TikTok.

U.S. President Donald Trump and China’s President Xi Jinping came away from their in-person meeting with a long list of trade concessions. The agreement marked the culmination of tense discussions between the two nations, sparked by Trump’s tariff imposition earlier this year, and recently countered by Xi’s rare earth export controls.

Highlighting the trade arrangement, the U.S. agreed to cut tariffs on Chinese imports to 47% from 57%, while China agreed to tighten oversight of fentanyl distribution to the U.S. China also agreed to pause export controls on rare earth minerals for a year and resume purchasing soybeans from the U.S. for the next three years.

KEY TAKEAWAYS FROM THE TRADE TRUCE

CHINA



- Resume purchasing American energy and soybeans.
- Pause export controls of rare earth minerals.
- Tighten oversight of fentanyl distribution to the U.S.

U.S.



- Cut tariffs on Chinese imports by 10%.
- Ease control of China’s TikTok operations in the U.S. (details to be determined).

Both China and the U.S. agree to suspend fees at shipping ports.

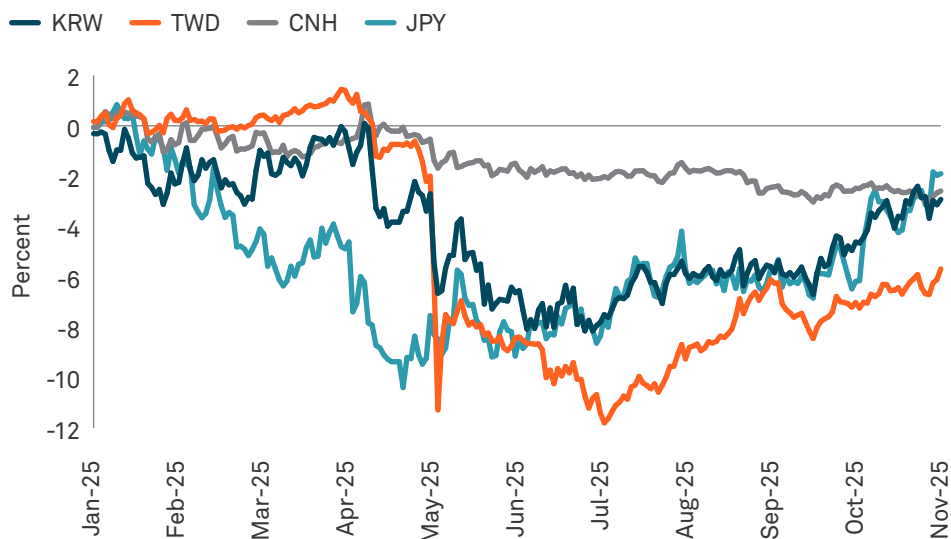
Impact on currency

The “trade truce” allows China to return to a lower tariff rate than before the Liberation Day announcement on April 1. From a macroeconomic perspective, China’s apparent geopolitical resilience should prove beneficial for the Chinese renminbi (CNH) and shield its tech sector from potential future export and investment controls by the U.S.

Over time, these developments could also allow more policy space for the CNH to slowly appreciate — at a pace which may support a gradual rebalancing of its economy without undermining its export sector.

ASIA FX PERFORMANCE VS. USD (YTD %)

USDCNH versus USDJPY, USDKRW and USDTWD



The CNH has appreciated more gradually but is starting to gain ground against a more volatile Japanese yen (JPY) and other East Asian currencies which led regional FX gains versus the U.S. dollar earlier this year on increased hedging of under-hedged exposure in USD assets.

Source: BNY Investment Institute, Macrobond, November 4, 2025. Chart is for illustrative purposes only. KRW = South Korean won, TWD = Taiwan dollar, CNH = Chinese renminbi, JPY = Japanese yen.

Expectations for long-term China-U.S. negotiations

Although this recent meeting has driven some optimism in the markets, it’s important to keep in mind that the “trade truce” is based on a mutual understanding and is not treaty-bound or legally binding. We believe long-term decoupling implies flare-ups are likely to recur sporadically.

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