

18 May 2026

Trump-Xi Meeting: Reading between the lines

The high-stakes state summit between Presidents Donald Trump and Xi Jinping in Beijing concluded last week. The meeting delivered a heavy dose of managed diplomacy, structural resets, and tactical trade arrangements. It also consolidated the floor under US-China relations, with new frameworks for trade and investment offering the prospect of future tariff reductions—though implementation risks remain and no structural breakthroughs were achieved. Markets quickly reversed their initial optimism: Chinese equities and semiconductor stocks gave back early gains once it became apparent that headline announcements would not translate into immediate tangible short-term benefits. China refrained from escalating on rare earth exports, preserving leverage for future negotiations and reasserting its preference for limiting US influence in Asian affairs. While China's stance on Taiwan was not firmer than in the past, its opposition to US intervention remains clear prompting President Trump's strategic ambiguity on the island. The "clock is ticking" on the Iran conflict—an urgent but unspoken risk between the two nations. With three new presidential encounters ahead and unresolved issues on tariffs and technology, we remain invested but vigilant. The Board of Trade framework and Boeing orders provide near-term market narrative support, but the status quo on tariffs, the Taiwan ambiguity, and the unresolved chip/rare earth dynamics mean the risk distribution remains wide. Our asset allocation still favours emerging market equities, both structurally (Asia sits at the heart of the global industrial value chain) and tactically (emerging markets benefit from dollar weakness). That view remains unchanged post-summit.

1. WHAT ALIGNED WITH OUR EXPECTATIONS (HITS)

Our core structural view regarding the immediate trajectory of the US-China relationship was fully validated by the summit's proceedings.

HIT 1 - The "Bearish Scenario" Materialises (Temporary Détente): Our base case forecast anticipated that any bilateral truce would feel temporary, remaining prone to headline-driven volatility. This played out clearly. While both administrations projected a cordial atmosphere and noted that relations are moving in a constructive direction, the deep structural differences remain unhedged. It represents an uneasy, temporary *detente* rather than a permanent settlement.

HIT 2 - Headline Procurement of US Goods: The expectation that trade wins would be heavily concentrated in large, headline-driven purchases of agricultural, energy, and aerospace assets proved accurate (Annex A, page 5). The headliner of the summit was China's formal agreement to purchase 200 Boeing aircraft. This served primarily as a political offset for trade deficits (Chart 1), and the absolute size of the transaction fell short of the larger figures hoped for by numbers in broader market whispers.

HIT 3 - A Structured Forward Pipeline: Our expectation that both leaders would continue to expand their direct diplomatic contact has been reflected in the roadmap established for this year (Calendar, page 4). The final readouts confirmed invitations and concrete plans for three subsequent presidential encounters: a visit to Washington on 24 September, followed by back-to-back summits at the Shenzhen APEC conference in November and the Miami G20 in December.

2. WHERE REALITY DIVERGED FROM EXPECTATIONS (MISSES)

The diplomatic friction points during the face-to-face negotiations deviated slightly from the paths we originally anticipated.

MISS 1 - The Taiwan "Red Line" and Strategic Ambiguity: Our initial thesis forecast that China would use the summit to press for a firm US statement opposing Taiwan independence. While President Xi forcefully articulated Beijing's positions—delivering an uncharacteristically blunt public warning that mismanagement of the Taiwan issue could ignite a "highly dangerous situation" and lead to direct clashes—the US did not yield ground. Instead, the administration firmly maintained its playbook of strategic ambiguity to balance the cross-strait risk.

MISS 2 - The Tariff Stalemate: There was hope that a highly bullish summit track could yield an immediate rollback of existing US import tariffs to soothe corporate sentiment. In reality, the broad parameters of the existing tariff architecture were left untouched. No broad tariff rollbacks were codified, as both nations chose to defend their existing bargaining positions heading into the looming summer deadlines.

3. WHAT WAS UNEXPECTED (SURPRISES)

The meetings also yielded entirely fresh institutional frameworks and specific tech concessions that were completely absent from the pre-summit consensus.

SURPRISE 1 - The "Board of Trade" Framework: In a major strategic surprise, the two nations formally announced the creation of a "Board of Trade" alongside a corresponding "Board of Investment."

This structural innovation introduces an active government-to-government forum tasked with "pre-gaming" commercial transactions. Crucially, it creates a mechanism to systematically carve out and implement tariff reductions on "non-sensitive, non-critical and non-strategic" sectors (eg: agricultural products and energy)—potentially covering an estimated 10% of total US imports from China (about 30 billion dollars).

SURPRISE 2 - The Nvidia H200 Compromise: While mutual interest in managing high-tech friction was expected, the exact nature of the high-tech trade-off caught observers by surprise. China refrained from directly weaponising or explicitly elevating export restrictions on critical minerals during the core sessions.

Simultaneously, the US quietly authorised roughly ten Chinese domestic enterprises to resume procurement of Nvidia's advanced H200 semiconductor chips. The strategic significance of this high-tech truce was underscored by Nvidia CEO Jensen Huang personally traveling to Beijing as a headline member of the official US business delegation.

INVESTOR TAKEAWAYS

TAKEAWAY 1 - Macro Backdrop: Managed Stability, Not Resolution

The Beijing summit delivered a tactical floor under US-China relations, not a structural ceiling lift.

We view the establishment of the Board of Trade and Board of Investment frameworks — targeting reciprocal tariff reductions on an estimated approximately **30 billion dollars** of non-sensitive goods — is the most institutionally durable outcome of the meeting.

Working-level teams are still negotiating details, meaning near-term implementation risk is real. The broad tariff architecture remains intact, and Donald Trump confirmed tariff reduction was not discussed at the leadership level. Investors should treat the framework as an option on future de-escalation, not a confirmed catalyst.

TAKEAWAY 2 - Equities: Sell the News, Watch the Calendar

Chinese equities (CSI 300: -2.8%, MXCN: -2.5% over the two summit days) have already delivered a post-summit reality check, consistent with the historical pattern of gains softening after such meetings. Nvidia initially rallied on 14 May (+4.4%), likely on optimism around chip export discussions, but gave back all gains on 15 May (-4.4%) as it became clear no formal easing of export controls was announced. The net two-day change is essentially flat (-0.23%).

With three additional Trump-Xi encounters now confirmed each summit on the calendar represents a discrete re-rating event. Episodic volatility around each meeting is expected rather than a sustained re-rating of Chinese risk assets.

TAKEAWAY 3 - Trade: Headline Win, Execution Overhang

The 200-aircraft order (with an option for up to 750) is Boeing's first major China sale in nearly a decade and provides meaningful backlog optionality. However, with Boeing up only +1.6% year-to-date (YTD) as of 15 May, the market is treating this as a political headline rather than a near-term earnings catalyst – given delivery timelines and the absence of formal contract documentation.

TAKEAWAY 4 - Semiconductors: Authorisation ≠ Revenue

The H200 authorisation for approximately 10 Chinese firms (including Alibaba, Tencent, ByteDance, and JD.com) is an incremental encouraging, but the critical nuance is that not a single delivery has been made.

Donald Trump himself acknowledged China has chosen not to buy the chips, preferring to develop domestic alternatives. The China chip authorisation adds headline optionality but is unlikely to move near-term consensus estimates materially until actual purchase orders materialise.

TAKEAWAY 5 - Taiwan: The Underpriced Tail Risk

The most consequential yet underappreciated outcome of the recent US-China summit is President Trump's deliberate strategic ambiguity on Taiwan. By declining to clarify whether the US would defend Taiwan and signalling openness to reviewing the 14 billion dollars arms sale to Taipei, the administration has introduced a new variable into cross-strait risk pricing. This uncertainty is not yet fully reflected in volatility surfaces or risk premiums for Taiwan-exposed assets.

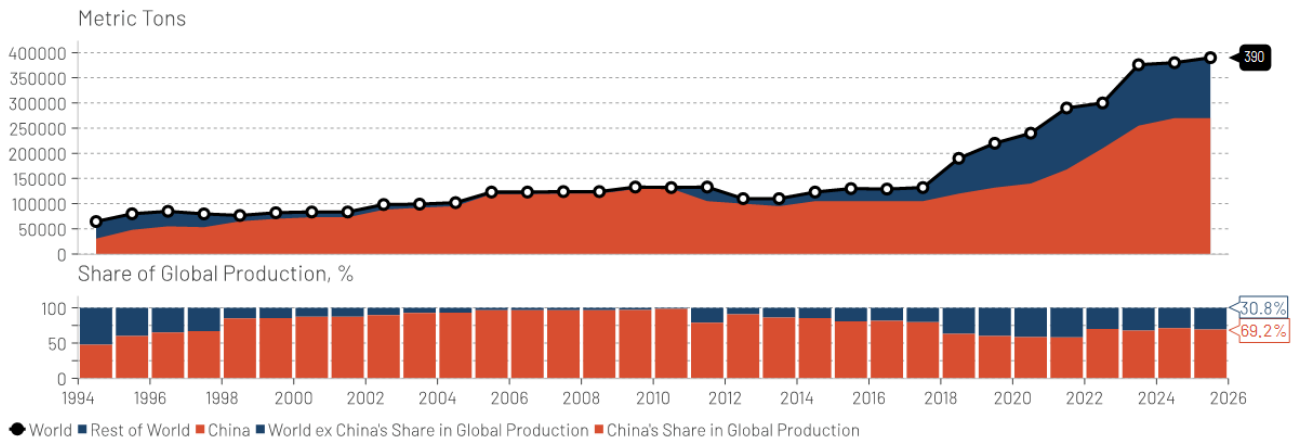
A closer look at the volatility surface reveals a bifurcated market: TSMC (TSM) carries a clear geopolitical risk premium, whereas names like Nvidia, AMD, and Qualcomm are more influenced by artificial intelligence (AI) and demand dynamics. The lack of concrete commitments on Taiwan keeps forward risk premiums intact, underscoring the need for ongoing monitoring and potential hedging strategies for portfolios with exposure to the region.

TAKEAWAY 6 - Rare Earths: The Dog That Did Not Bark

China notably refrained from weaponising rare earth export restrictions (Chart 2) during the summit sessions – a deliberate withholding of leverage rather than a concession. This preserves Beijing's optionality heading into the summer tariff deadline.

However, investors in rare earth-dependent supply chains (Electric vehicles (EVs), defence, advanced manufacturing) should not interpret the silence as resolution; the "restriction" toolkit remains fully intact and deployable.

Chart 2: Global Rare Earth Metals Production



Source: Macrobond, US Geological Survey, Indosuez Wealth Management.

TAKEAWAY 7 - Key Dates to Watch

The Beijing summit consolidated the floor under US-China relations that was established in South-Korea in October last year and some gave perspective on how the relationship can build from here. The Board of Trade framework and Boeing order provide near-term narrative support, but the status quo on tariffs, the Taiwan ambiguity, and the unresolved chip/rare earth dynamics mean the risk distribution remains wide. Our asset allocation still favours emerging market equities, both structurally (Asia sits at the heart of the global industrial value chain) as tactically (emerging markets benefit from dollar weakness), and that view remains unchanged post-summit. For investors who like to hedge or trade volatility could use the confirmed summit calendar as a possible tactical roadmap for Chinese equities and semiconductor names that are most sensitivity to US-China relations.

- **Near-term:** Board of Trade/Investment working-level negotiations – watch for any formal tariff reduction announcements on the approximately 30 billion dollars non-sensitive goods basket.
- **20 May:** Putin visits Beijing – assess whether Russia-China alignment shifts China's negotiating posture on Iran or Ukraine.
- **Summer 2026:** Tariff truce expiration – the single largest binary risk given it was explicitly not addressed at the summit.
- **24 September:** Trump-Xi Washington meeting – next major re-rating catalyst.
- **November / December:** APEC Shenzhen and G20 Miami summits.



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ANNEX A: KEY OUTCOMES FROM TRUMP-XI SUMMIT

Boeing Aircraft

- China agreed to purchase at least 200 Boeing aircraft, marking the company's first major sale to China in nearly a decade.
- Trump stated China reserved the right to buy as many as 750 aircraft if "they do a good job."
- Details on specific aircraft types, delivery schedules, and airline allocation remain unclear – the deal was announced verbally by Donald Trump rather than through a formal Boeing-customer announcement.
- Boeing CEO Kelly Ortberg was part of the US delegation. Boeing confirmed the commitment and said it expects further commitments beyond the initial 200.
- China's aviation regulator chief met with Boeing's president on 17 May.
- An agreement to purchase up to 450 GE aircraft engines was also reportedly reached.

Agricultural Imports

- The White House fact sheet states China agreed to purchase at least 17 billion dollars in US agricultural products annually through 2028.
- US Trade Representative Jamieson Greer said China will make "large purchases" of American agricultural products, though few specific details were provided during the trip itself.
- Soybean, corn, and cotton futures fell on 15 May after initial US comments offered little beyond existing pledges.

Broader Trade Measures

- China's Ministry of Commerce said both sides agreed to mutually lower tariffs on certain products and expand bilateral trade, though China did not provide specifics.
- The two sides' readouts diverged somewhat – the White House fact sheet was more detailed on dollar figures, while China's MOFCOM described "positive outcomes" in more general terms.

Notable Caveats

- The Boeing deal lacks formal documentation typical of aircraft orders, leaving aircraft type, pricing, and timing unconfirmed.
- Trump's reversal on allowing China to buy US farmland reportedly drew criticism from some MAGA supporters.

Overall, the summit produced headline-level commitments across aerospace and agriculture, though the finer contractual and policy details are still being worked out.

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