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Trump Shoots From the Lip; China Trade Talks to Resume in Fall

With Congress currently out of session, the nation's attention was squarely on the terrible mass shootings in El Paso, TX, and Dayton, OH. Nevertheless, markets were focused on President Donald Trump and his important decisions with respect to the ongoing trade war with China.

In the previous week, the President announced a new 10% tariff on the estimated \$300 billion of Chinese imports entering the US that were not already subject to the 25% tariff. He followed that up Monday by declaring China to be a currency manipulator. The combined actions shook up markets, and led to global concerns about a potentially rapidly deteriorating relationship between the two global economic superpowers.

Interestingly, there are widespread media reports that both China trade actions were personally dictated by the President, and that most of his advisers opposed the moves. In fact, the President shot from the lip, as is his wont, tweeting, for example, the currency manipulator announcement prior to any formal determination by the U.S. Treasury Department.

Meanwhile, Treasury Secretary Steven Mnuchin who had seen his Washington stock go up with the recent budget deal he negotiated with House Speaker Nancy Pelosi, was firmly undercut by the presidential currency tweet. He had, just hours earlier, returned from China where several days of talks ended without an agreement, but an announcement of additional talks scheduled for September. The President has often declared that he makes great decisions based on his gut, and China policy appears to be reliant on the President's gut.

There are some glints of potential movement. Treasury and White House officials stated the talks announced for September are still on, and no specific actions were announced to accompany the currency declaration.

China responded to the new 10% tariff with strong actions of its own against American farmers, directing the cessation of all agricultural purchases from the U.S. The U.S. is reportedly suspending approval of export licenses for domestic companies seeking to sell to Chinese tech giant Huawei Technologies.

These measures may hold the key to stepping back from the brink of an expanded trade war. A deal that includes renewed agricultural purchases by China, and approval of American sales to Huawei continues to make sense for both sides and could break the deadlock at some point in the fall.

Nevertheless, investors should be ready for anything when it comes to President Trump's tweets. Friday, for example, he poured a little cold water on the September meeting and stocks fell. (See page 1.)

"We're not ready to make a deal, but we'll see what happens," Mr. Trump told reporters Friday morning. "We will see whether or not China keeps our meeting in September."

Good grief.

L. Thomas Block, Washington and Policy Strategist

Figure: Top Trump Tweets



Donald J. Trump
The 45th President of United States of America
[@realDonaldTrump](#)

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Donald J. Trump @realDonaldTrump · Aug 8
As your President, one would think that I would be thrilled with our very strong dollar. I am not! The Fed's high interest rate level, in comparison to other countries, is keeping the dollar high, making it more difficult for our great manufacturers like Caterpillar, Boeing,.....

11K 20K 88K
- 

Donald J. Trump @realDonaldTrump · Aug 8
....John Deere, our car companies, & others, to compete on a level playing field. With substantial Fed Cuts (there is no inflation) and no quantitative tightening, the dollar will make it possible for our companies to win against any competition. We have the greatest companies...

2.2K 13K 65K
- 

Donald J. Trump @realDonaldTrump · Aug 8
Iran is in serious financial trouble. They want desperately to talk to the U.S., but are given mixed signals from all of those purporting to represent us, including President Macron of France....

6.9K 19K 85K

Economic Calendar

From 8/12/19 – 8/16/19

NEXT WEEK'S MAJOR U.S. ECONOMIC REPORTS & FED SPEAKERS			
TIME (ET)	REPORT	PERIOD	PREVIOUS
MONDAY, AUG. 12			
2 PM	FEDERAL BUDGET	JULY	-\$77 BLN
TUESDAY, AUG. 13			
6 AM	NFIB SMALL BUSINESS INDEX	JULY	103.3
8:30 AM	CONSUMER PRICE INDEX	JULY	0.1%
8:30 AM	CORE CPI	JULY	0.3%
11 AM	HOUSEHOLD DEBT	Q2	
WEDNESDAY, AUG. 14			
8:30 AM	IMPORT PRICE INDEX, EXCLUDING FUEL	JULY	-0.3%
THURSDAY, AUG. 15			
8:30 AM	WEEKLY JOBLESS CLAIMS	8/10	--
8:30 AM	RETAIL SALES	JULY	0.4%
8:30 AM	RETAIL SALES EX-AUTOS	JULY	0.4%
8:30 AM	PRODUCTIVITY	Q2	3.4%
8:30 AM	UNIT LABOR COSTS	Q2	-1.6%
8:30 AM	EMPIRE STATE INDEX	AUG.	4.3
8:30 AM	PHILLY FED INDEX	AUG.	21.8
9:15 AM	INDUSTRIAL PRODUCTION	JULY	0.0%
9:15 AM	MANUFACTURING OUTPUT	JULY	0.4%
9:15 AM	CAPACITY UTILIZATION	JULY	77.9%
10 AM	BUSINESS INVENTORIES	JUNE	0.3%
10 AM	NAHB HOME BUILDERS INDEX	AUG.	65
FRIDAY, AUG. 16			
8:30 AM	HOUSING STARTS	JULY	1.253MLN
8:30 AM	BUILDING PERMITS	JULY	1.220MLN
10 AM	CONSUMER SENTIMENT INDEX	AUG.	98.4

Source: FS Insight, Bloomberg