

Asia-Pacific equities

China stocks gain ground despite renewed trade tensions

Renminbi slips further but CSI 300 climbs 1% on optimism talks can get back on track



The CSI 300 index of major stocks listed in Shanghai and Shenzhen closed up 1% © AP

Hudson Lockett in Hong Kong and Yizhen Jia in Shanghai MAY 7, 2019

China's stock market steadied on Tuesday after Washington and Beijing confirmed trade talks would [continue this week](#) despite new tariff threats from US president Donald Trump.

The CSI 300 index of major stocks listed in Shanghai and Shenzhen closed up 1 per cent, buoyed by government efforts to avoid a second day of steep declines and reassurances that trade talks would continue.

Market participants said state-backed companies, popularly referred to as the Chinese government's "national team", bought heavily during the morning trading session. In the afternoon, markets got another shot in the arm when China's commerce ministry [confirmed](#) that Liu He, the vice-premier, would still travel to Washington on Thursday.

The CSI 300's 5.8 per cent [tumble](#) on Monday, when it appeared that a new round of trade talks might be cancelled, marked the index's biggest single-day drop in more than three years.

"Yesterday's decline was too much," said Lin Longpeng, chief market analyst at Guotai Junan Securities in Shenzhen. "We think that [China and the US](#) will eventually reach an agreement. Chinese investors overreacted."

China's currency weakened again, however, with the onshore renminbi rate softening as much as 0.3 per cent against the dollar to Rmb6.7829.

Tuesday's gains for Chinese equities followed a paring of sharper losses on Wall Street, where the S&P 500 ended Monday down only 0.5 per cent as expectations grew that some kind of settlement could still be reached.

Japan's Topix slid 1.1 per cent and South Korea's Kospi shed 0.9 per cent as both bourses resumed trading after holidays, but markets elsewhere in Asia advanced. Hong Kong's Hang Seng index rose 0.6 per cent after shedding 2.8 per cent the previous day, while Australia's S&P/ASX 200 added 0.2 per cent.

S&P futures were down 0.3 per cent, trimming an earlier 0.5 per cent fall that came after the Trump administration said overnight that it was prepared to move ahead with higher tariffs on \$200bn of Chinese imports as soon as Friday.

“The stakes have now become even higher for Chinese negotiators,” said Eswar Prasad, a professor at Cornell University and former head of the International Monetary Fund's China division. “The economic costs of not reaching a deal have risen but they also face domestic political costs if they are seen as caving in to US demands in the face of Trump's threats.”

Beijing has been comparatively calm in response to [the rhetoric](#) from Washington. Analysts at Everbright Sun Hung Kai said in a research note that the “muted response from China is a positive sign”, suggesting the two sides could yet reach an agreement despite this week's setback.

They also questioned US accusations that the Chinese government was not prepared to codify elements of the trade agreement in law, citing planned amendments to China's patent, trademark and copyright laws.

The Chinese government rushed a new foreign investment law through the National People's Congress, the country's rubber stamp parliament, in March and last month outlined plans to further open the country's financial sector to foreign investment.

Additional reporting by Daniel Shane in Hong Kong and Tom Mitchell in Beijing

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12 June 2019

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