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Brief updates on portfolios, markets & more 12 May 2026

Beijing Summit: why "no news" is the bullish scenario

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The first US presidential visit to Beijing in nearly nine years takes place this week, and the most useful framing for investors is counterintuitive: the least eventful outcome is probably the most constructive one. After twelve months in which two economies commanding USD 53 trillion in combined GDP have stress-tested how far their relationship can fray before it breaks, a cordial photo-op, a vague communiqué, and a handful of incremental deliverables would qualify as meaningful de-escalation. Markets should price it that way.

A different balance of power than in Busan

The strategic backdrop has shifted materially since Trump and Xi last met in South Korea in October 2025. The Middle East war that erupted on 28 February sent Brent above USD 120 in March, prompting the IEA to call it the most severe oil supply shock on record. US and Israeli strikes on Tehran followed Washington's earlier move against Caracas — and Iran and Venezuela together represent two of Beijing's most significant overseas resource investments. Xi is not arriving at the table in a generous frame of mind.

The more important rebalancing has been less visible. The centre of gravity in US-China economic statecraft has migrated away from tariffs — Trump's preferred lever — toward something more structural: Chinese control over critical minerals, rare earths, and the magnet supply chains that underpin everything from F-35s to EV traction motors. When China tested that leverage in April and October 2025, Washington blinked. The Busan truce cut US tariffs on Chinese imports from 57% to 47%, after they had earlier been pushed past 140%. Xi has drawn the obvious conclusion and has long told cadres that "the East is rising and the West is declining" — that time and asymmetry are working in China's favour.

The Communist Party's reading: a "giant with a limp"

That is the phrase Global Times has been circulating to describe the United States this week, while Qiushi argues the Iran conflict has "overdrawn US strategic resources." President Trump's domestic position has weakened in parallel — with inflation weighing on his approval ratings, a deadlocked war, and a Supreme Court ruling that struck down his unilateral tariff authority. A federal court followed up last week by ruling his temporary replacement tariffs illegal. Several months ago, Trump looked positioned to land the "grand bargain" he promised his base. He no longer does.

But China has reasons not to overplay its hand. The property overhang continues to grind through balance sheets, domestic demand remains stagnant, and Chinese exports to the US fell roughly 20% in 2025 and another 11% year-on-year in early 2026. The economy is more export-dependent than ever at precisely the moment its largest customer is weighing whether to choke off access. The tell came recently: Chinese regulators quietly instructed the major state banks to stop lending to five Chinese refiners sanctioned by Washington for handling Iranian crude. Team Xi Jinping does not want to antagonise Trump in person.

The realistic base case for deliverables

Extending the truce, dressed up: the October 2025 détente will almost certainly be extended, ideally with concrete commitments: Chinese purchases of US soybeans (running below pre-2020 levels), beef, and a potentially large Boeing aircraft order — the figure of 500 airframes has been floated. A material BA order is the most market-sensitive single deliverable to watch.

A "Board of Trade": the signature institutional announcement looks set to be a bilateral Board of Trade, with senior officials from both sides overseeing implementation. Beijing is pushing for a matching Board of Investment. The mechanism matters less for what it does than for what it replaces: with the courts having gutted Trump's unilateral tariff authority, the administration needs an alternative architecture for managing the relationship. A formal channel is also harder for hawks inside the administration to torpedo.

Iran as a possible deliverable: this is where the alignment of interests is genuinely rare. China is the largest energy importer, Iran is its largest crude supplier, and the Strait of Hormuz remains contested. If China can be seen pushing Iran toward de-escalation, Trump gets the optics he badly needs, oil falls, and Xi Jinping extracts trade concessions in return. Easier said than done — particularly with the US Navy currently intercepting tankers bound for China — but it remains a credible scenario, and the cleanest two-way trade on the calendar.

Targeted tech cooperation: China needs US semiconductors more than it lets on. Expect some narrow framework on AI risk and safety, building on the Biden-era working group and the 2024 agreement not to connect AI to nuclear command-and-control. Watch for any signal on BYD and Chinese EV access to the US market — Trump has floated openness here.

Rare earths and fentanyl: marginal loosening on rare earth and fertiliser curbs, plus tightened controls on fentanyl precursor exports, would round out a respectable deliverable set.

The Taiwan wildcard

This is the line item warranting the most careful reading of the readouts. Taiwan is watching whether Xi Jinping can cajole Trump into shifting US language from "does not support" to "opposes" Taiwan independence — or, more remotely, into rhetorical support for "peaceful unification." Any such shift in exchange for trade sweeteners would be a tail event for TSMC, the broader Asia tech complex, and regional defence names. The base case is no change. The risk is asymmetric.

What doesn't get resolved

No grand bargain. A joint statement is very unlikely. No settlement on export controls, technology decoupling, the South China Sea, or the structural critical-minerals dependency — which Western alternative supply chains will take years, possibly decades, to address. This is a stability summit, not a deal summit. As one observer put it, the outcome that matters more than any set of deliverables is stability and space for continued engagement.

Positioning implications

For portfolios, the actionable read is fairly clean.

Fade any euphoria in tariff-sensitive Chinese exporters on a "deal" headline — the truce extension is largely priced, and the structural rivalry is not going anywhere. Keep exposure to the themes the summit won't resolve: critical minerals and rare earth supply chains, Western defence primes, semiconductor onshoring, and energy security. Two competing investment narratives are crystallising in real time on energy itself — Washington is banking on continued hydrocarbon dependence, while Beijing reads every Hormuz price spike as a structural tailwind for the green transition it dominates industrially. Both can be true; both deserve allocation.

Boeing carries genuine event-driven optionality. Oil offers the cleanest macro expression: a credible Chinese role in reopening Hormuz is the bearish catalyst the curve isn't pricing.

The longer arc

What this week really sets up is the calendar. APEC in Shenzhen in mid-November, the G20 at Trump National Doral in December, and — most consequentially — a likely Xi return visit to Washington ahead of the US midterms. A headline trade deal landing before 3 November would remove tariff overhang, lift risk assets, and bolster Republicans heading into the vote. That is the political logic that ultimately governs everything else this week.

The Xi-Trump cadence — potentially the first of four meetings this year — suggests a managed equilibrium, not a thaw. It won't make US and China relations great again, but it could put the global economy in a measurably better place than where it stood in March. In the current tape, that is more than enough.

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