



## Hot Spot

# Sino-US relations to enter a new stage after the recent strategic dialogue

## Overview

China and the United States opened two days of high-level meetings in Beijing on May 24, meant to broaden and deepen the ties between the world's largest developed and developing economies. The talks resulted in 26 agreements, most of which are in economic relations.

The dialogue has touched upon a wide array of economic topics from foreign exchange rate policy, trade policy, investment in the financial markets, and energy cooperation. Both the US and China exhibit a cooperative and conciliatory attitude, striving to work towards better economic relations. Among the highlights, China pledged to continue to reform its exchange policy. China is likely to allow the RMB to appreciate by 3-5% ever year in the next 3-5 years. The US will gradually lift restrictions on high-tech exports, hinting that certain bans on export categories with potential military applications may be lifted as early as this summer. On the other hand, the US demands that China open the procurement market currently reserved for domestic firms only. The US will soon recognize China as a market economy, which will give China an equal footing when it competes against other economies and which will reduce the number of trade frictions. Furthermore, more cooperation in the capital markets is to be expected between the two countries. Energy is also an important area in which the two countries see enormous potential. The US will make concerted efforts to promote technical cooperation on advanced energy technology. The two sides will seek to avoid excessive oil price volatility. All in all, both sides have been satisfied with the progress made in the dialogue and hopeful about the direction that the two countries' economic relations are heading.

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Performance of stock or sector relative to MSCI-China over next 6 months after research publications

	Rating	Remark
Stock rating	Buy	Relative performance over MSCI-China Index >20%
	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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