

Handelskrig under Trump 2.0

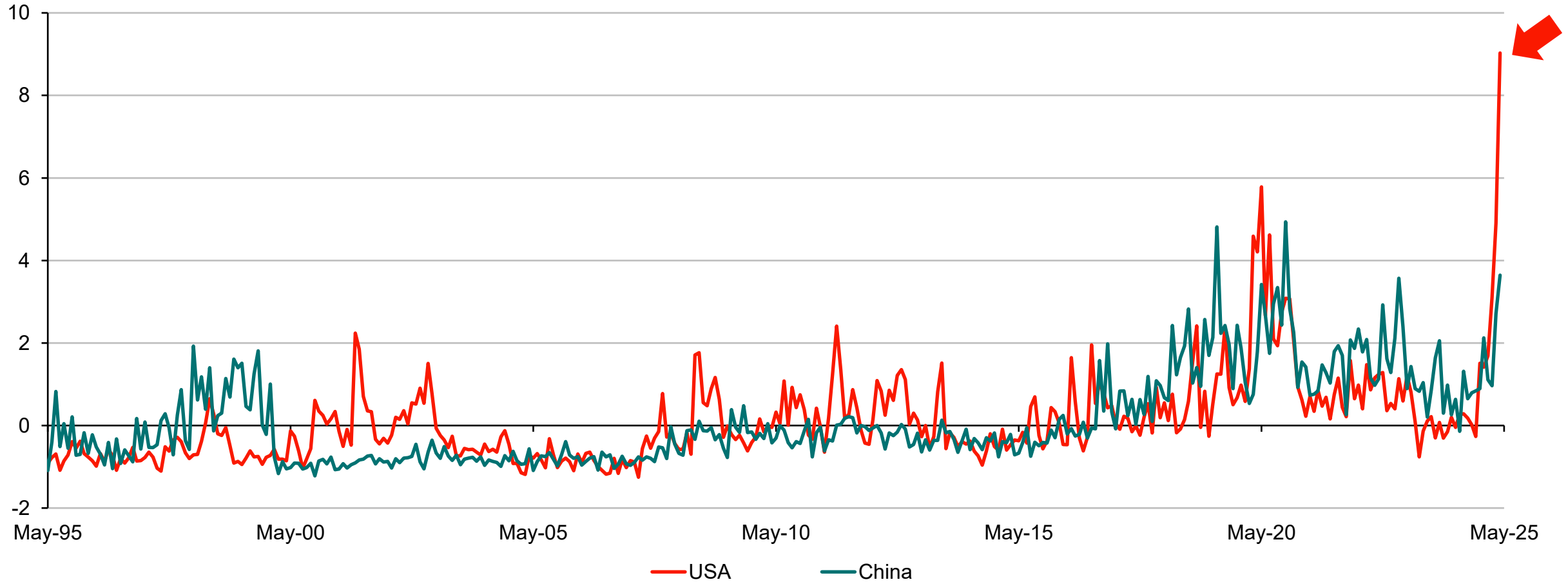
MAY 2025



Kelly K. Chen
Senior Economist | FICC
+47 91 73 40 10
kelly.ke-shu.chen@dnbcarnegie.com

Changing geopolitical tectonic plates = economic uncertainty is the «new normal»

US & CHINA: ECONOMIC POLICY UNCERTAINTY. NORMALIZED INDEX*



Source: LSEG Datastream, DNB Carnegie *St.deviation from long-term mean

A play in 3 acts: We suspect Washington had decided to end embargo tariffs back in the week 21 April to avoid empty shelves.

MONDAY 21 APRIL: OH NO!

Trio Of Top CEOs Warn Trump Tariffs Will Empty Store Shelves: Report

Executives for Walmart, Target and Home Depot didn't beat around the bush during a Monday meeting in the Oval Office.

Source: Axios News, SCMP, Los Angeles Ports

WEDNESDAY 23 APRIL: RESET?

Exclusive | Walmart has told some Chinese suppliers to resume shipments: sources

The American retail giant will reportedly also bear the cost of any new tariffs, after the escalating US-China trade war slowed deliveries to a trickle

A major exporter of stationery and office products in the eastern city of Ningbo received a notification from Walmart on Monday to resume normal deliveries to the United States, weeks after a series of tit-for-tat tariff hikes between the world's two largest economies slowed shipments to a trickle.

The costs of the new import duties will be borne by the US clients, the firm said.

"We have been told by our long-time partner Walmart to start shipping more [to the US], and we won't need to bear the extra costs of the new tariffs [on Chinese goods]," the company's vice-president told the Post on Monday.

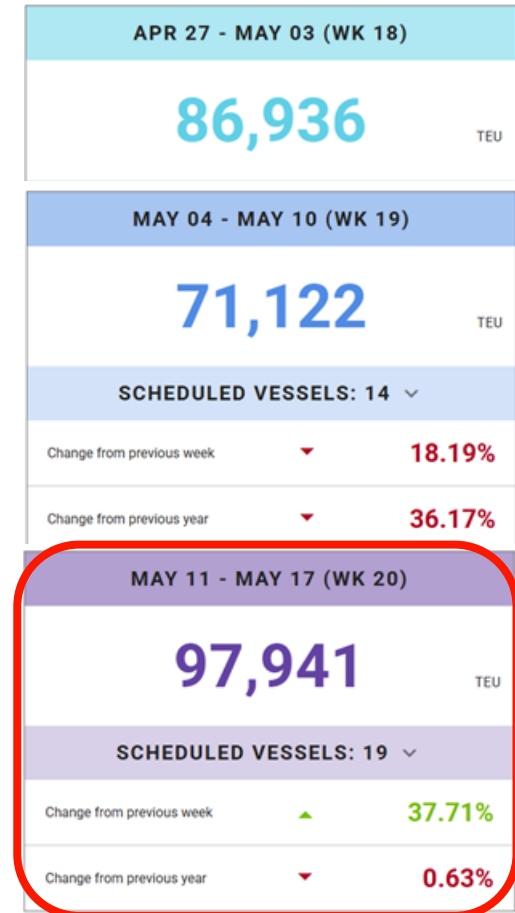
At least one exporter in Jiangsu has also been asked to prepare for a recovery in demand.

"We have learned that major retailers have advised their Chinese vendors to resume orders," said Paul Tai, regional director at Mainetti, which designs and exports garment hangers and packaging products sold across the US and Europe, adding similar notices were circulated by US clients as early as April 23.

Mainetti partners with several major American retail groups.

MONDAY 28 APRIL: RESET!

Planned arrivals Los Angeles for May 11-17 on 28 April



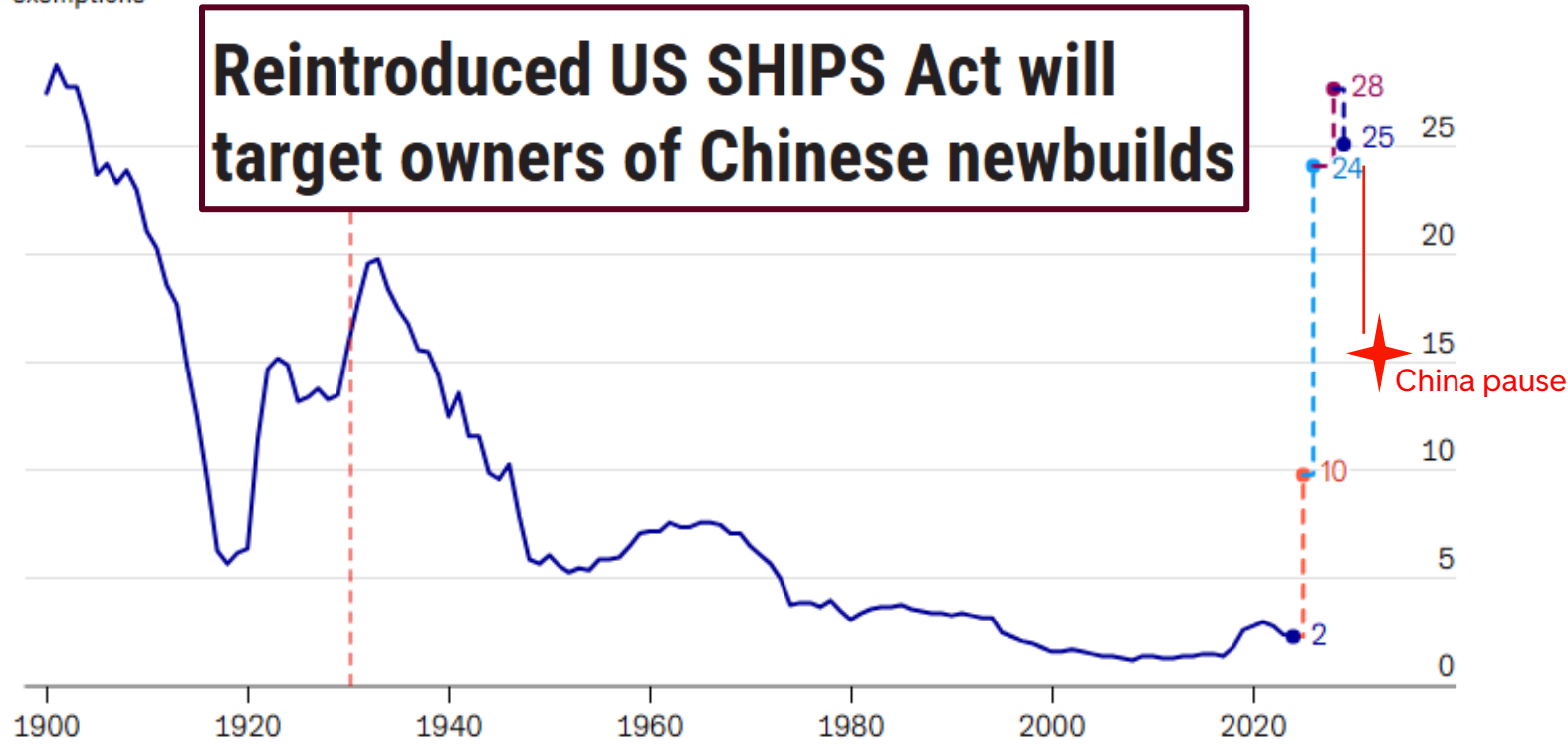
What is the «end-game» for Trump?

ARE TARIFFS 1) INCOME, 2) MARGIN GUARANTEE...OR 3) A NEGOTIATION TACTIC?

US weighted average tariff rate (WATR); %

— Actual - - February and March tariffs* - - April 2nd tariffs - - April 9th pause - - April 11th electronics exemptions

Reintroduced US SHIPS Act will target owners of Chinese newbuilds



IF SO, WHAT IS THE ASK?

'Grand Encirclement' of China

- De-risk... while getting more market access for US firms?

The Mar-a-lago Contradiction

- Buy more UST → help refinance debts
- Weaken dollar → boost competitiveness?

Cut Trade Deficits Quickly

- Purchase more from US...
...like LNG? defense industry?

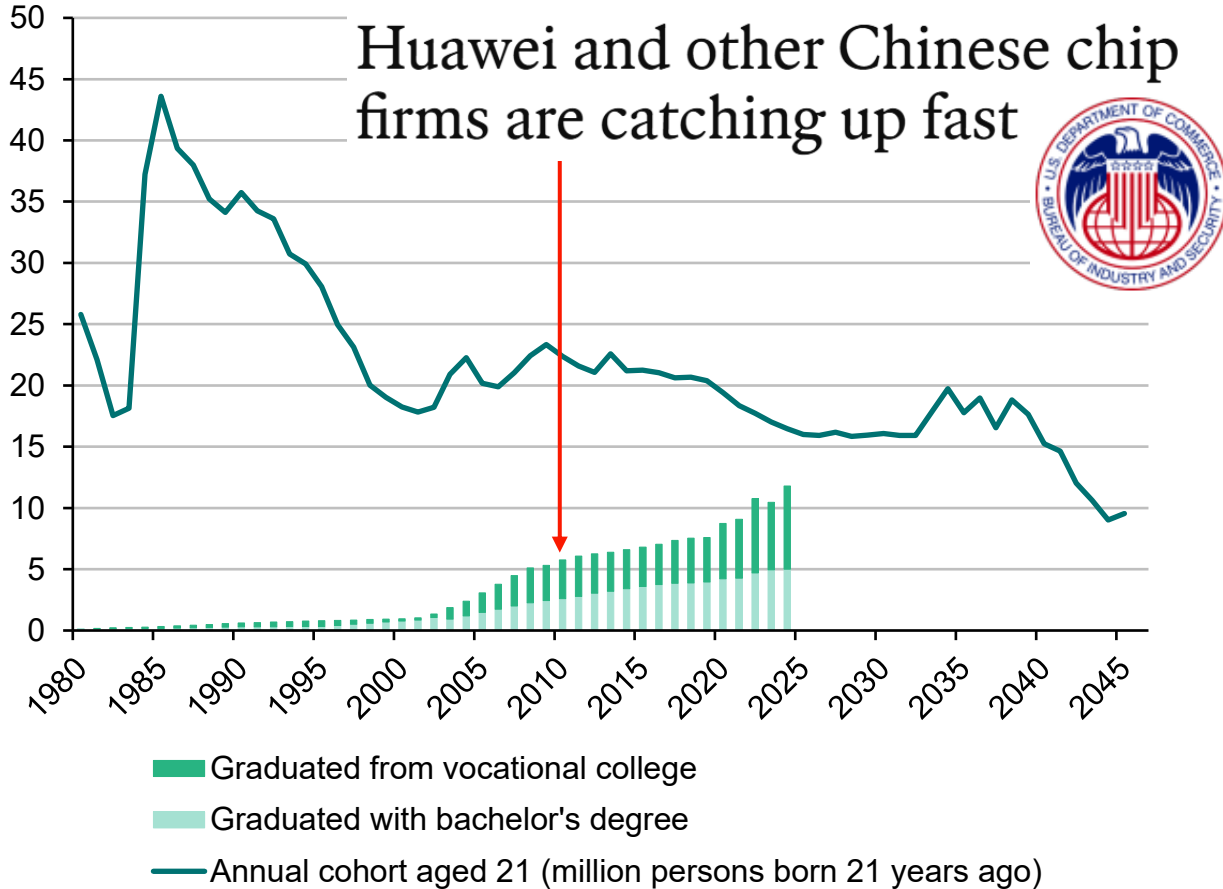
Get Foreign Direct Investments

- Move to the US, for the US market
- Build manufacturing capacity in the US for dual use (military) ... like shipbuilding?

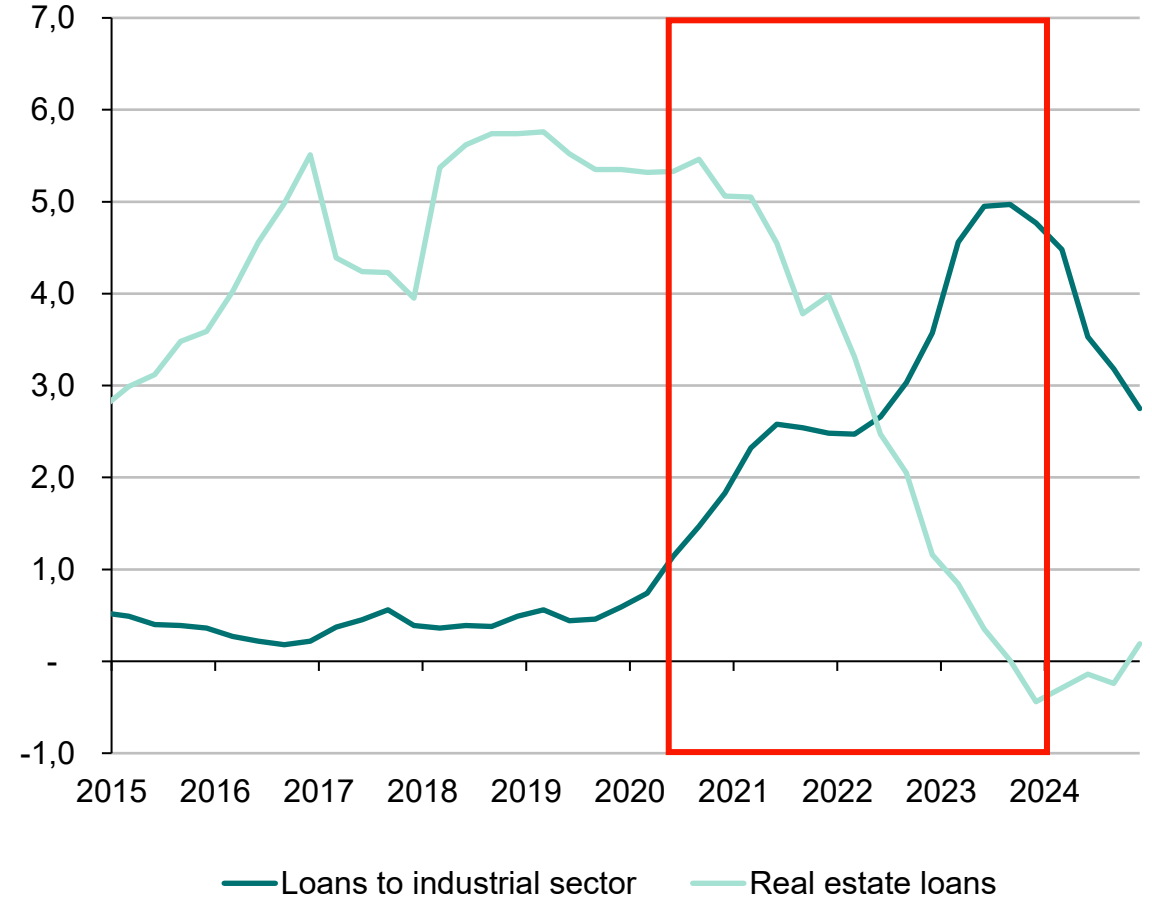
Source: [Bloomberg \(Singapore Says Asia Sees US as "Landlord Seeking Rent"\)](#), [Lloyd's List \(Reintroduced US SHIPS Act will target owners of Chinese newbuilds\)](#), EIU, DNB Carnegie

Meanwhile, Xi has stayed the course in efforts to 'Make-China-Great-Again'

CHINA: BIRTHS 21 YEARS AGO AND GRADUATES PER YEAR (MILLIONS)



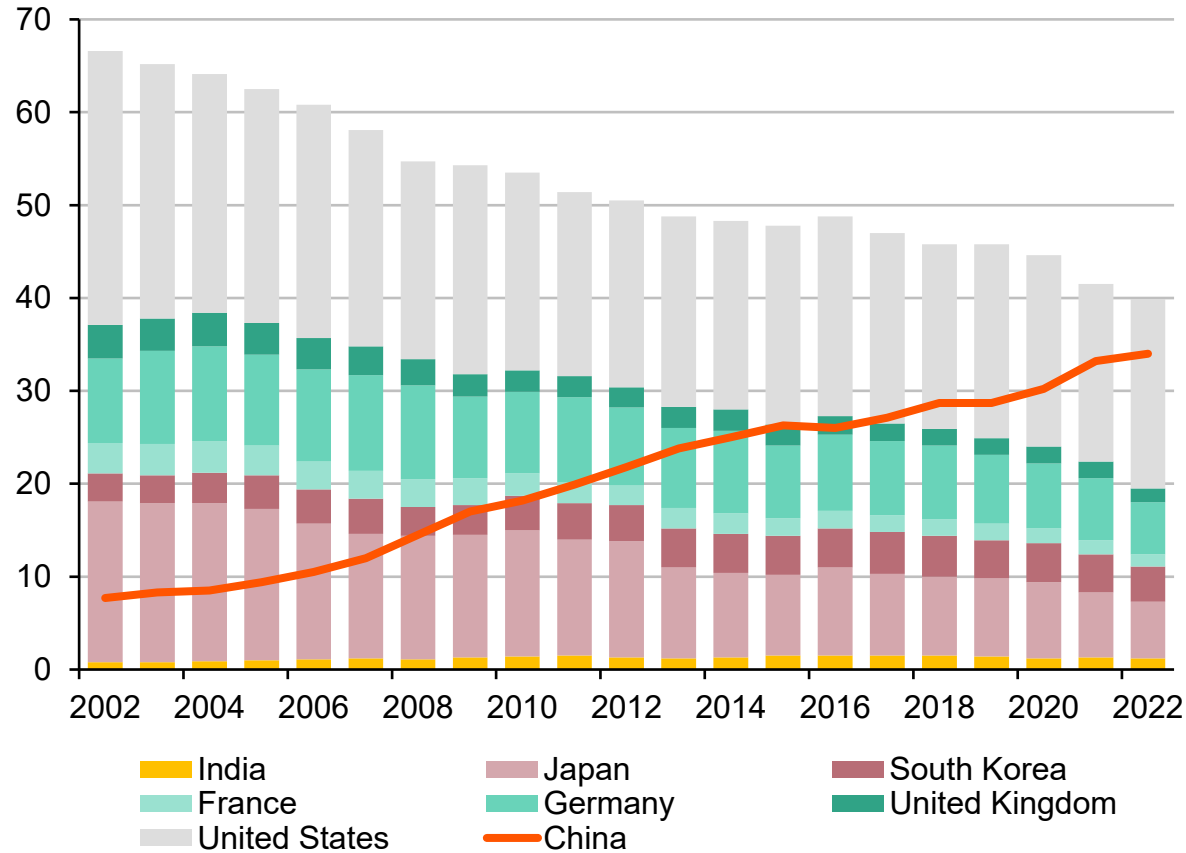
CHINA: ANNUAL CHANGE IN OUTSTANDING BANK LOANS (CNYTN)



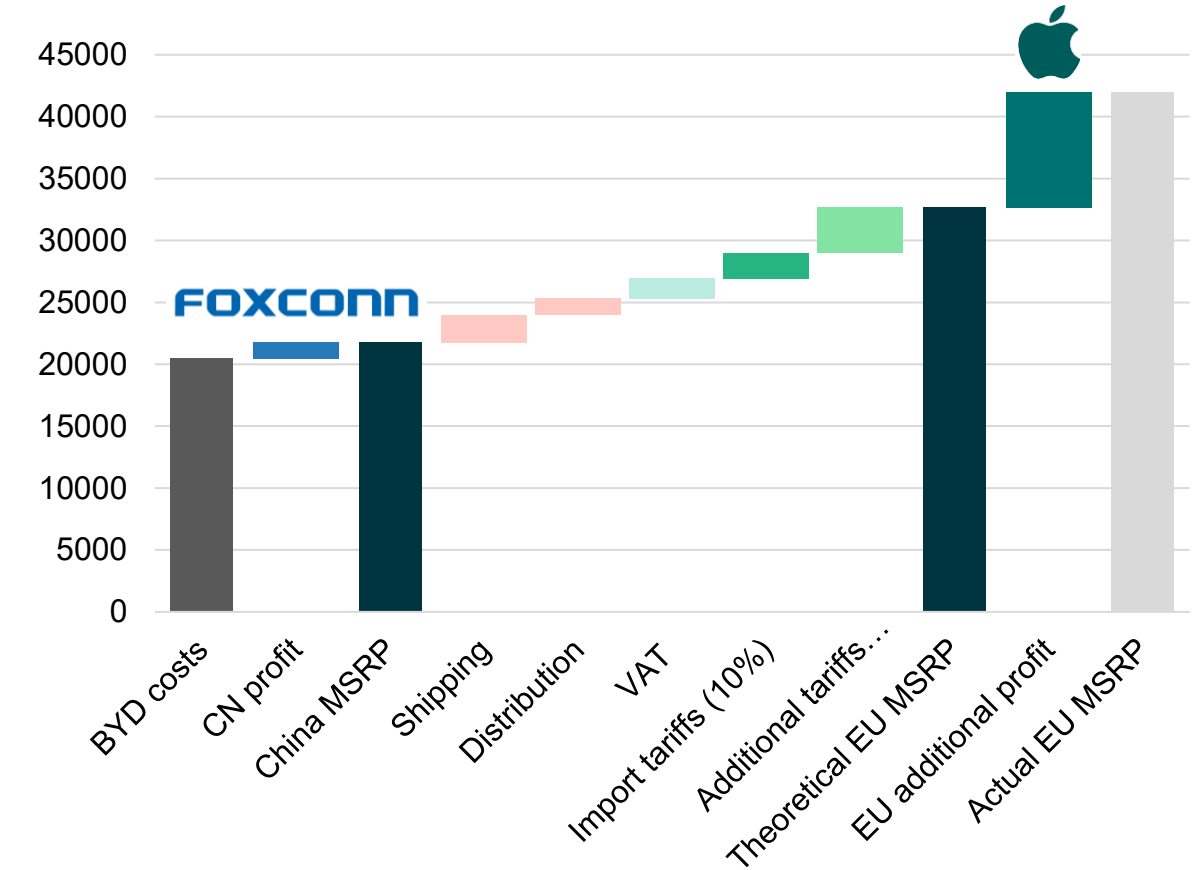
Source: LSEG Datastream, Bloomberg, The Economist ([Huawei and other Chinese chip firms are catching up fast](#)), FT ([Huawei delivers advanced AI chip 'cluster' to Chinese clients cut off from Nvidia](#)), and DNB Carnegie

Scale itself is a competitive advantage, China is a «fitness center» for multinationals

SHARE OF GLOBAL KTI* MANUFACTURING VALUE ADDED (%)



BYD 'SEAL U' COST (EUR): INCLUDING EU PUNITIVE EV TARIFFS

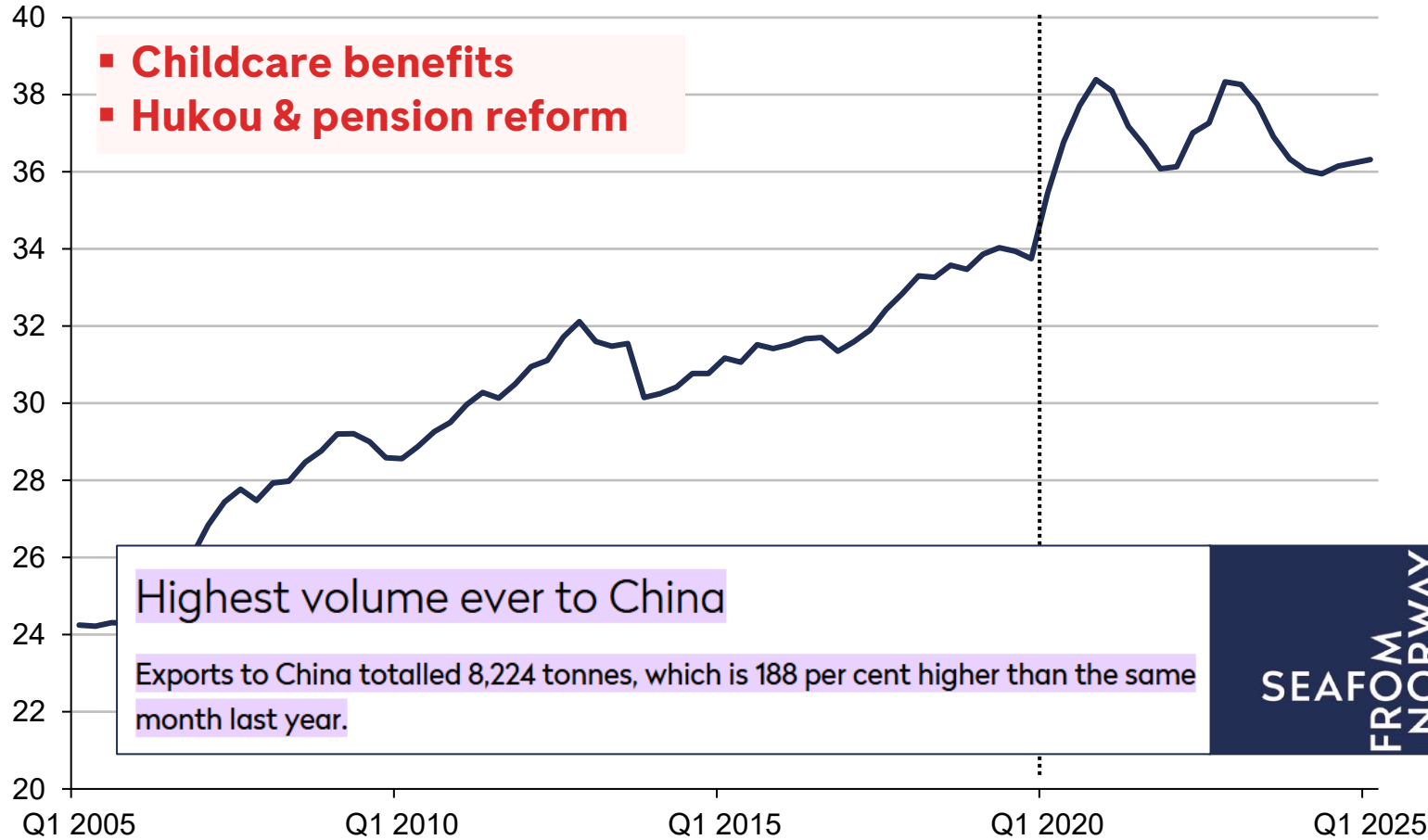


Source: National Science Foundation, Rhodium Group ([Ain't No Duty High Enough](#)), and DNB Carnegie

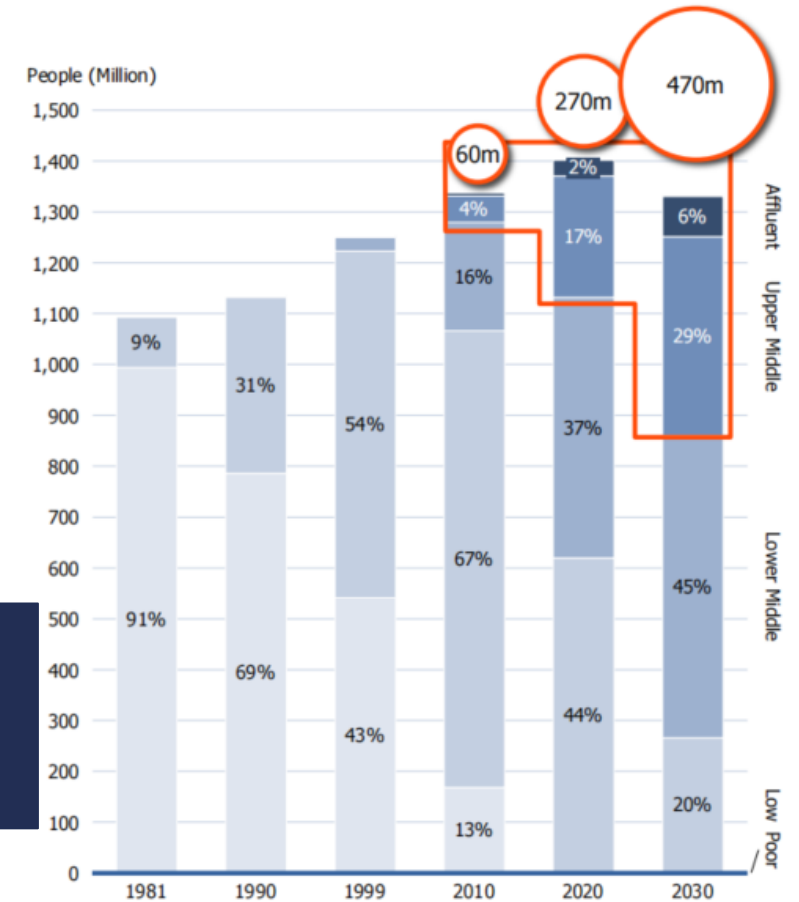
*Note: Manufacturing value added is gross production minus the purchased intermediates. Knowledge and Technology Intensive (KTI) manufacturing industries include chemicals and chemical products; pharmaceuticals; weapons and ammunition; computer, electronic, and optical products; electrical equipment; machinery and equipment; motor vehicles, trailers, and semi-trailers; air and spacecraft and related machinery; railroad, military vehicles, and transport; and medical and dental instruments.

Short term: Subsidised spending as households excess cash savings ~USD 1tn

CHINA: URBAN SAVINGS RATE*, 4Q AVERAGE (%)



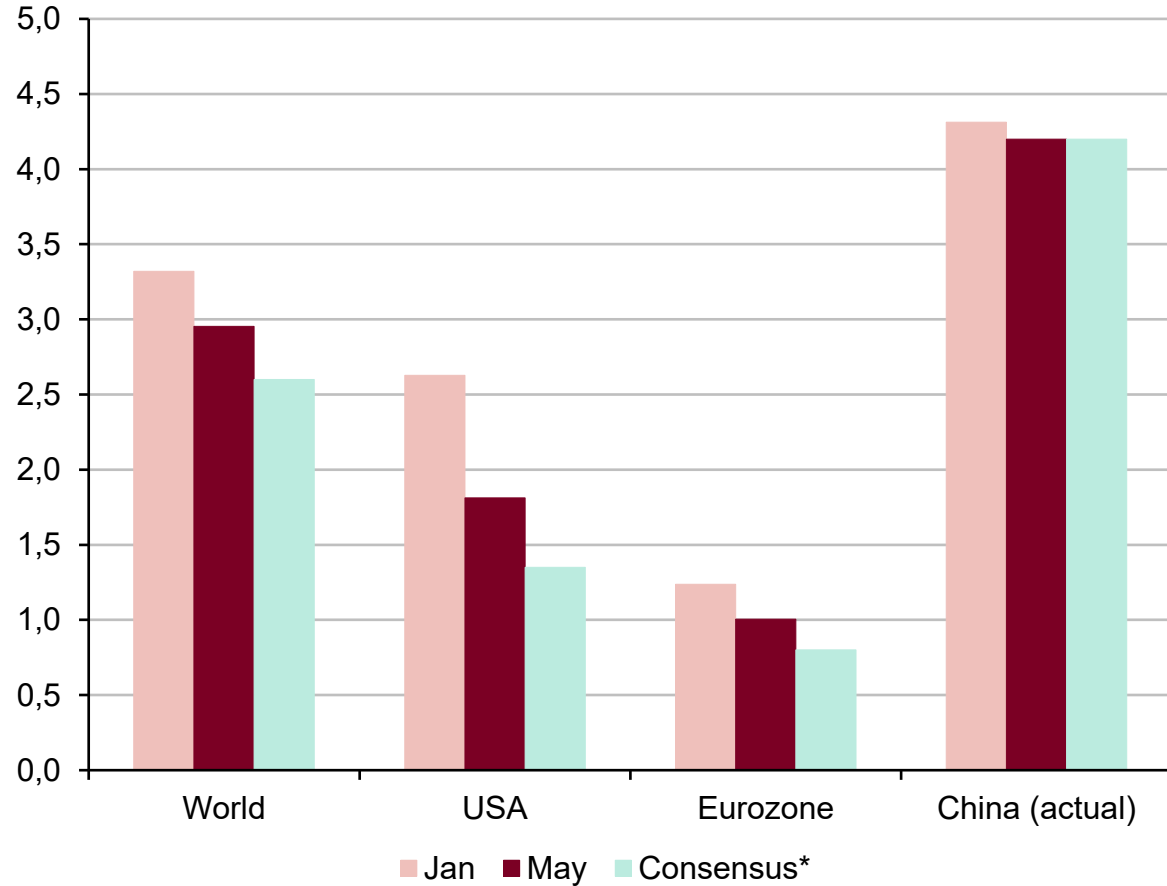
CHINA: POPULATION BY INCOME LEVEL (M)



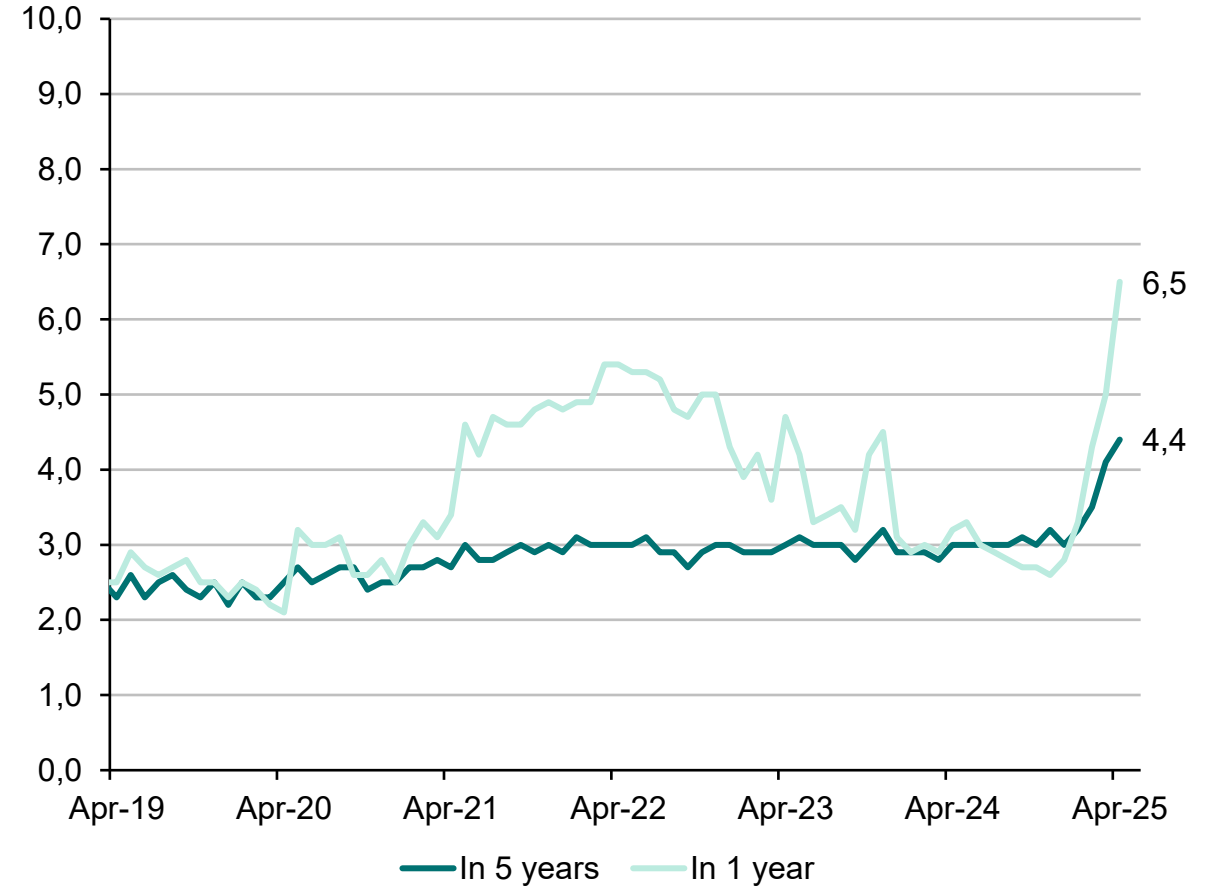
Source: LSEG Datastream, Bloomberg, [Value growth for Norwegian seafood exports in April despite trade unrest and falling salmon prices](#) DNB Carnegie *Per capita disposable income not consumed

Trade war is a drag for global growth, but we do not expect recessions. Inflation to diverge, with Fed on 'wait and see'

GLOBAL: GDP GROWTH 2025 (%Y/Y), DNB FORECASTS



US: INFLATION EXPECTATIONS (%Y/Y)*

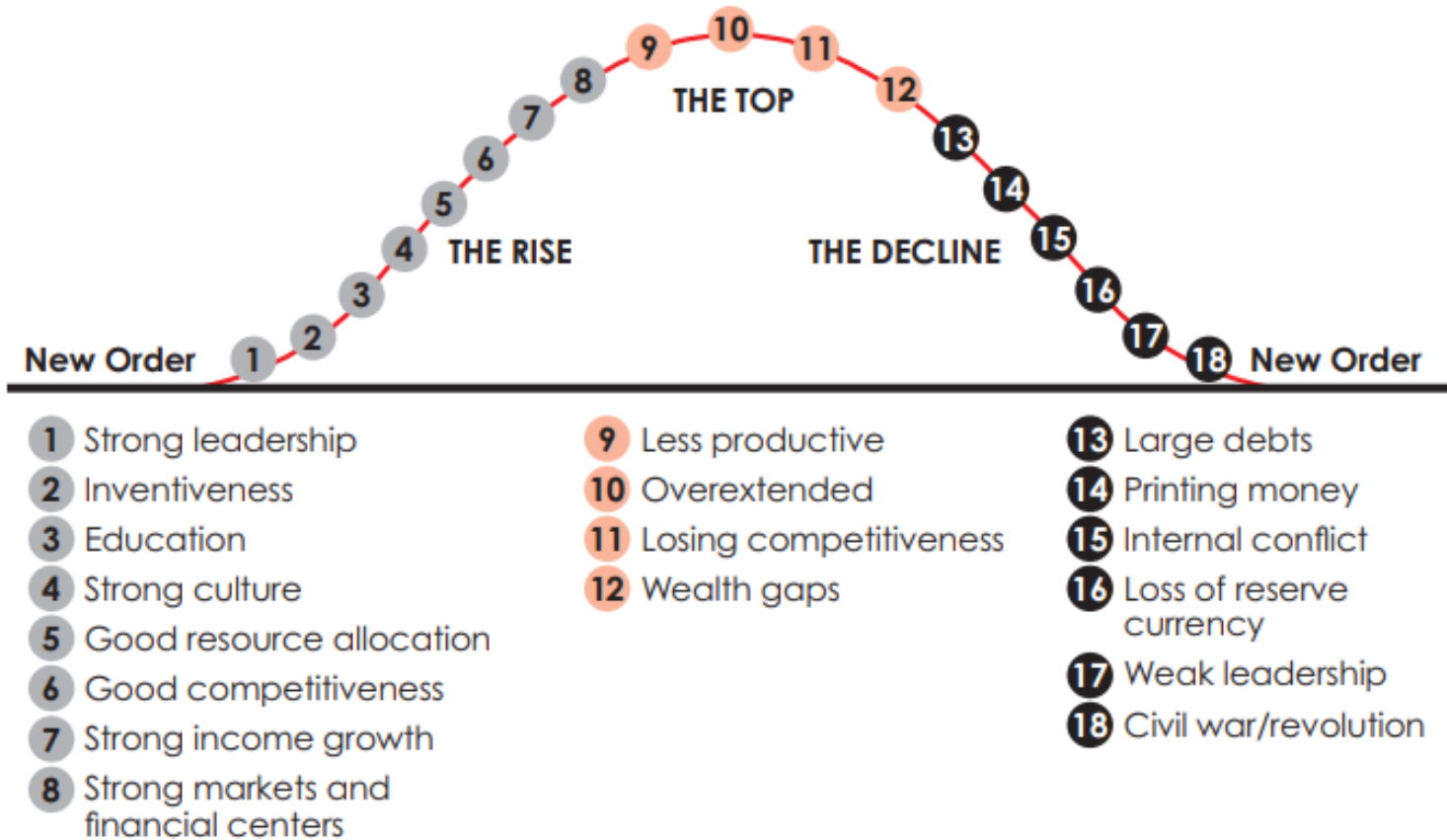


Source: IMF, LSEG Datastream, and DNB Carnegie *Note: Michigan consumer sentiment survey last April 2025

China may view the return of Trump 2.0 as a symptom of decline...

RAY DALIO: THE ARCHETYPICAL RISE AND DECLINE OF GREAT POWERS

«AGILE MANOEUVRING ON A TIGHTROPE»



Given the share of Chinese assets and international reserves held in USD, Chinese leaders are concerned about:

- 1) the dollar (restructure mar-a-lago)
- 2) US indebtedness
- 3) US policy dysfunctionality

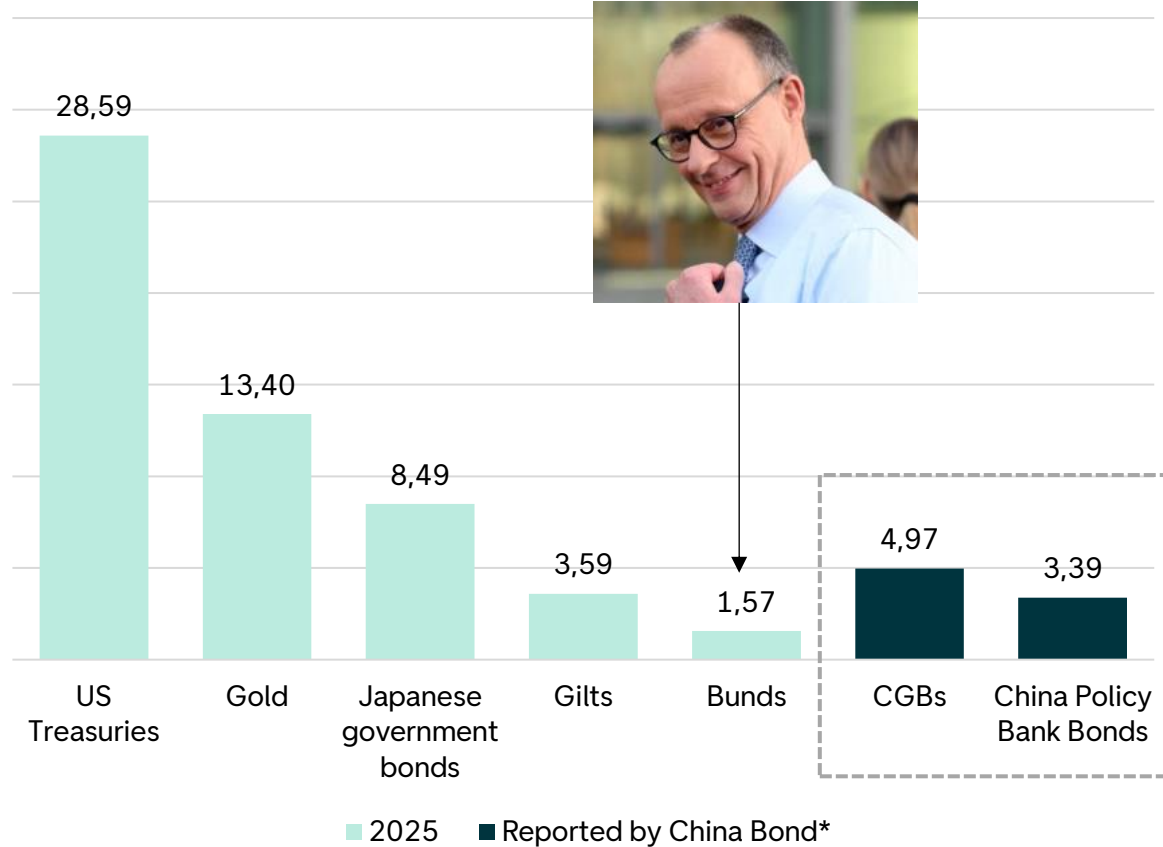
China seeks a gradual transition from long-term treasuries to other short-term assets and gold over **a period of years** balancing:

- 1) asset liquidity
- 2) safety
- 3) stable returns

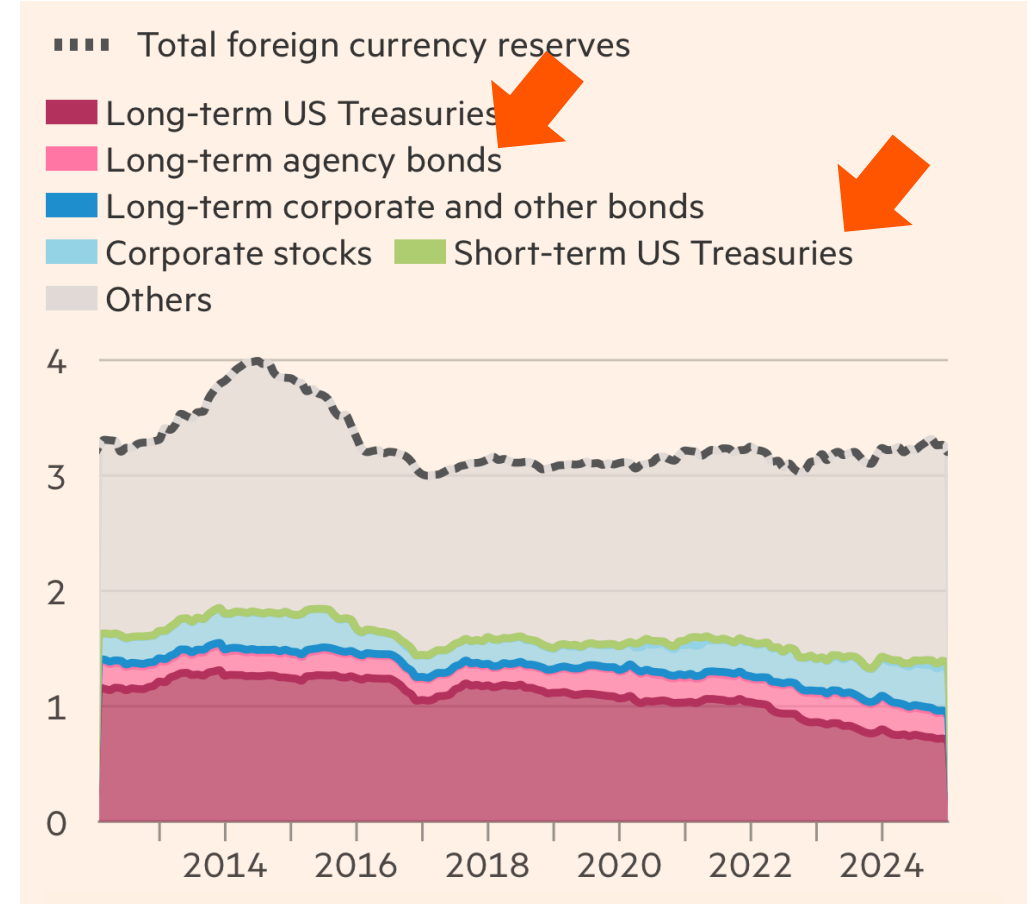
Source: Ray Dalio «The Changing World Order» and Paul Kennedy «The Rise and Fall of the Great Powers» and China's State Administration of Foreign Exchange (SAFE) via Financial Times ([How China is quietly diversifying from US Treasuries](#))

In terms of scale and liquidity, few can compare to US treasuries

GLOBAL: 'SAFE HAVEN ASSETS', MARKETABLE MARKET SIZE (USD TN)



CHINA: FOREIGN CURRENCY RESERVES BY HOLDINGS (USD TN)**



Source: China Bonds, China's State Administration of Foreign Exchange (SAFE) via Financial Times ([How China is quietly diversifying from US Treasuries](#)) *Note: This is total outstanding reported March 2025 and excludes local government bonds (typically not held by foreigners). US Treasuries include all marketable Treasury securities outstanding. Gold refers to total above-ground stock, including bars and coins, gold-backed ETFs, central bank holdings, and other forms, excluding jewelry. Bond values are converted using exchange rates on Apr 30, and gold is estimated at \$3,500 per ounce. Data as of Mar 2025 for US Treasuries; Apr 2025 for gilts and bunds; and Dec 2024 for gold and JGBs **China holds additional US Treasuries via custodial accounts in Belgium and Luxembourg

Handelskrig under Trump 2.0: Svakere vekst, men ingen global resesjon!

- **Verden endrer kurs og usikkerhet er den nye normalen:** vi ser ikke bort fra mer fragmentert handel i strategiske sektorer
- **Kina og den kinesiske konsumenten vil vokse videre de neste årene:** Kina vrir seg sakte mot økt forbruk, investeringer øker
- **Globalt svekkes økonomisk vekst, samtidig går inflasjonen opp i USA:** Fed i står spagat, avventer rentekutt
- **Kina vil gradvis rebalansere dollar-eksponeringen:** Svakere USD på litt sikt

Takk for meg!

MAY 2025



Kelly K. Chen
Senior Economist | FICC
+47 91 73 40 10
kelly.ke-shu.chen@dnbcarnegie.com

Disclaimer

This presentation is strictly confidential and prepared exclusively for the benefit of our clients to whom it is directly presented. It is not for distribution or publication, and the information may not be reproduced without the consent of DNB Carnegie, a part of DNB Bank ASA or DNB Carnegie Investment Bank AB ("DNB Carnegie").

This presentation has been prepared by DNB Carnegie and is general background information about DNB Carnegie's activities current as the date of this presentation. This information is given in summary form and does not purport to be complete.

Any use of non-DNB logos in this report is solely for the purpose of assisting in identifying the relevant company. DNB Carnegie is not affiliated with any such company.

This presentation is not an offer or a recommendation to purchase or sell financial instruments or assets, and does not constitute a commitment by DNB Carnegie to underwrite, subscribe for or place any securities or to extend or arrange credit to or to provide any other services. Further, this presentation should not be deemed as investment advice or investment research, and no investment decision should be based on the information provided herein. DNB Carnegie does not accept any responsibility for direct or indirect losses that are due to the interpretation, and/or use, of this presentation.

DNB Bank ASA and/or other companies in the DNB group or employees and/or officers in the group may be market makers, trade or hold positions in instruments referred to or connected therewith, or provide financial advice and banking services in this connection.

Rules regarding confidentiality and other internal rules limit the exchange of information between different units in DNB Bank. Employees in DNB Carnegie who have prepared this presentation are therefore prevented from using, or being aware of, information in DNB Bank and other companies in the DNB group that may be relevant to this presentation.

This presentation has been prepared in accordance with the general business terms of DNB Carnegie, available [here](#).