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Dueling Equity Markets

From March 1st (when Trump first announced tariffs on steel and aluminum imports) through September 17th, the Shanghai Composite Index fell by 19% and hit a four-year low. During the same period, the Dow Jones Industrial Average rose by 6% and the Nasdaq Composite Index rose by 10%. Overall, the trade war has widely been viewed as a primary cause behind the sharp drop in the Chinese equity market. New last week, though, is that China's equity market shrugged off Trump's aggressive September 17th announcement and the Shanghai Composite Index ended up increasing the following day by 1.82%. This has contrasted greatly with how China's equity market has normally fared after US tariff announcements. It is possible that the Chinese government has wanted to send a strong signal both internally and globally that the Chinese economy is not set to suffer from the trade war. China's equity market certainly sent that signal last week, and the reason behind the sudden four-day 5.5% increase seen Tuesday through Friday could easily be "national team" manipulation. Whatever the truth may be, the Shanghai Composite Index last week ended up finishing up week-on-week by 4%. This marks the largest weekly growth seen all year and very ironically has come at a time when the trade war is now at its most intense point.

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