

# Markets mixed as traders weigh China-US row, rate cut hopes

AFP :: Markets were mixed on Thursday as investors weighed the latest volleys in the China-US trade war and expectations that the Federal Reserve will continue cutting interest rates this year.

Equities have been in flux this week since US President Donald Trump fanned the embers in his tariff row with Beijing on Friday, threatening 100 percent levies on Chinese goods in retaliation for its recent rare-earth export controls.

While he tempered his rhetoric days later, the outburst has led to tit-for-tat measures and warnings, raising concerns about the months-long truce between the superpowers that has provided some much-needed calm on trading floors.

Trump added to a sense of unease on Wednesday when he told reporters the countries were involved in a trade war.

“Well, you’re in one now,” he told a reporter who questioned whether they were on course for a sustained trade war if he did not reach an agreement with Chinese leader Xi Jinping.

“We have a 100 percent tariff. If we didn’t have tariffs, we would be exposed as being a nothing,” he said.

Trump’s comments came as his Treasury Secretary Scott Bessent appeared to take a more conciliatory tone by proposing a longer pause in their tariffs as they look to resolve the rare earths row.

Since May, the world’s two largest economies have suspended sky-high levies on each other for three months at a time as they work towards a full trade deal.

“Is it possible that we could go to a longer roll in return for a delay? Perhaps,” Bessent said. “But all that is going to be negotiated in the coming weeks, before the leaders meet in (South) Korea” for the Asia-Pacific Economic Cooperation summit.

He told CNBC earlier that Trump still planned to meet Xi at the summit, despite concerns that the latest spat could see it called off.

“Together, they’re running the classic good cop, bad cop routine,” SPI Asset Management’s Stephen Innes wrote in a note. “Trump’s declaration that the US is ‘in a trade war’ with China... set the tone.

“Meanwhile, Bessent, the newly minted ‘cop of calm’, suggested a possible extension to the 90-day tariff truce if Beijing holds off on rare-earth restrictions,” he said.

“For a market addicted to ambiguity, that’s the perfect cocktail – one part anxiety, one part relief, stirred, not shaken.”

Most of Asia rallied after a broadly positive day on Wall Street.

Tokyo, Shanghai, Sydney, Seoul, Wellington, Taipei, Mumbai and Bangkok were all well up as traders focused on the likelihood of more Fed rate cuts.

There were losses in Hong Kong, Singapore and Jakarta.

London, Paris and Frankfurt fell.

The US central bank’s closely watched “Beige Book” survey of economic conditions pointed to a softer job market, echoing a string of recent weak data.

That provided extra ammunition for those eager for more rate cuts, including Trump.

The figures also come after Fed boss Jerome Powell warned this week that “the downside risks to employment appear to have risen”.

Still, economists at Bank of America remain cautious.

“As last week illustrates, risks are not all gone,” they wrote in a commentary.

“In addition to the (now) obvious lack of a trade deal with China, uncertainties remain somewhat elevated for inflation (the impact of tariffs), growth (the weak job market) and the Trump administration policies (health care and drug pricing).”

Bets on US rate cuts, a weaker dollar and worries about the latest China-US flare-up have helped push gold to daily records. It hit a peak of \$4,242.12 on Thursday.

India’s rupee was also holding gains after its strongest rally since June, bouncing from near a record low, after the central bank stepped in.

“The Indian Rupee’s significant rally... the largest since late June, was primarily driven by central bank intervention, a softer dollar index, and supportive factors like lower crude oil prices and renewed foreign fund inflows,” Dilip Parmar, senior analyst at HDFC Securities, told AFP.

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