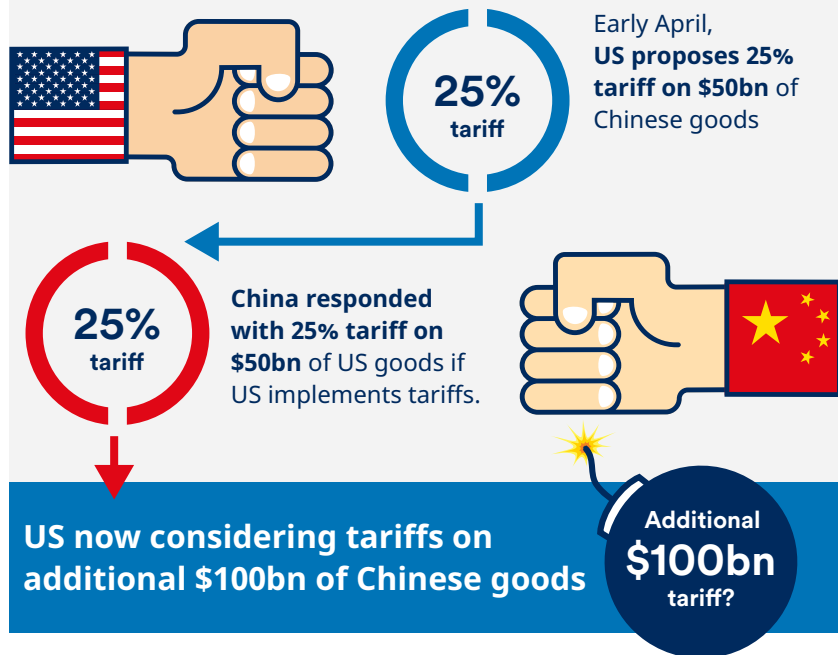


Trade war between US and China?

What happened?



Likely outcome

Trade war still unlikely as neither side wants this

For China:

Limited ammunition in trade war as imported only \$130bn of US goods in 2017.

Could sell US treasury holdings or devalue renminbi (RMB) though unlikely; may instead use regulations against US companies in China



For US:

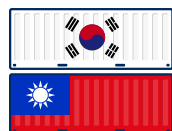
Enacting tariffs or getting concessions could be **Trump's way of boosting approval ratings** rather than wanting an actual long term trade war.

Who else could be affected?

Emerging Markets (EM)

Losers:

Asian EM likely to bear brunt of Chinese tariffs
- While goods are exported from China to the US, many components are originated elsewhere



Taiwan and South Korea may suffer if tariffs target high-tech products

Winners:

Increased costs mean China and US will have to source goods from elsewhere

E.g. Brazil soybean price surged as China cut buying from US

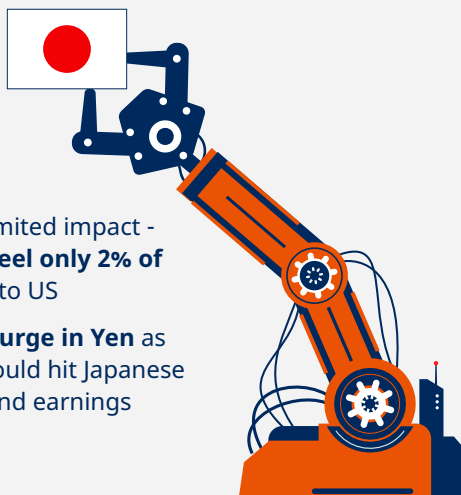


Japan

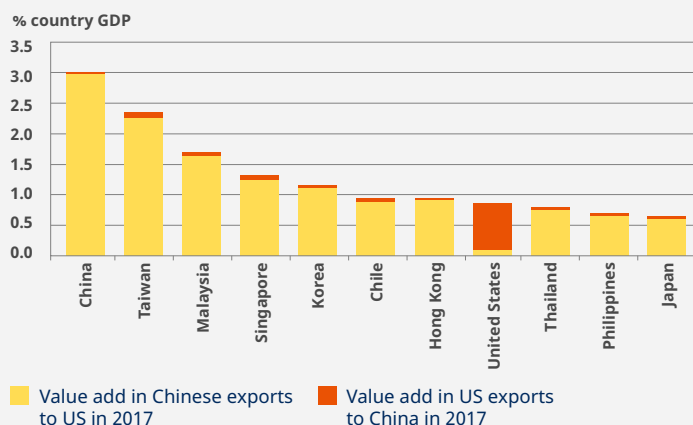
Prominent in both US and China supply chain

However, expect limited impact - aluminium and steel only 2% of Japanese exports to US

Of most concern: surge in Yen as safe haven asset could hit Japanese exports, inflation and earnings



Countries most exposed to US and Chinese tariffs via supply chain



Source: OECD, The Economist Group, Schroders Economics Group, 9 March 2018.

Source: Schroders as at May 2018.

Important Information: Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. All investments involve risks including the risk of possible loss of principal. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

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