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Trump-Xi Meeting: stabilization without breakthroughs

What's moving markets

- Multiple news reports said the Trump-Xi meeting last week produced an agreement to stabilize U.S.-China relations. Both sides described the meeting as constructive.
- On geopolitics, both countries agreed that Iran should not obtain nuclear weapons and that the Strait of Hormuz should reopen. China also reiterated its red line on Taiwan.
- CNBC reported that China agreed to purchase \$17 billion of U.S. agricultural goods annually through 2028, although China has not confirmed that exact volume. China also expressed an interest in buying U.S. oil, but no timeline or purchase amount was provided.
- Additionally on trade, The Wall Street Journal reported¹ discussions covering purchases from a U.S. aircraft manufacturer and the renewal of import licenses for U.S. beef plants. The report described the discussions as constructive, but the terms were not specified.
- The Financial Times reported² that the two sides discussed easing Chinese supply bottlenecks in rare earths and other critical minerals, but no implementation details were provided.

Our perspective

- Our view is that the meeting acknowledged a cooperative framework with an emphasis on stability, which should reduce concerns about any immediate conflicts between the two countries. But it lacked significant breakthroughs in key issues that matter to global supply chain risks. China did not commit to any concrete support in pressuring Iran to open the Strait of Hormuz. China also offered no details on easing rare earth supply restrictions.
- The trade discussion covered many topics that markets expected, however, lacked details on execution. The disappointment likely contributed to lower equity markets: from May 14 to May 15, China's Shanghai Shenzhen CSI 300 Index fell 1.5% and the U.S. S&P 500 Index declined 1.2%.
- We view the meeting as constructive because it reduces concerns about a renewed trade war. We are currently neutral on Emerging Market Equities and favor portfolio exposure at a full strategic weighting. China and Taiwan account for roughly 50% of the MSCI Emerging Markets Index, and Information Technology has remained a key driver of index performance. We remain favorable on the S&P 500 Index Information Technology sector.

Investment and Insurance Products: NOT FDIC Insured ► NO Bank Guarantee ► MAY Lose Value

1. "Five takeaways from Trump-Xi summit," Wall Street Journal, May 15, 2026

2. "White House says Donald Trump and Xi Jinping agreed on 'board of trade' at summit," Financial Times, May 17, 2026

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Sector investing** can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. Risks associated with the **Technology sector** include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market.

Definitions

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Shanghai Shenzhen CSI 300 Index (commonly known as the CSI 300) is the primary blue-chip benchmark for the Chinese stock market. It tracks the performance of the 300 largest and most liquid "A-share" stocks traded on both the Shanghai and Shenzhen stock exchanges.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

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