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## To China, Stock Market Is Trump Weak Spot

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In its trade standoff with Washington, Beijing thinks it has found America's Achilles' heel: President Trump's fixation on the stock market.

China's leader Xi Jinping is betting that the U.S. economy can't absorb a prolonged trade conflict with the world's second- largest economy, according to people close to Beijing's decision-making. China is holding a firm line because of its conviction, the people said, that an escalating trade war will tank markets, as it did in April after Trump announced his so-called Liberation Day tariffs, prompting Beijing to hit back.

China expects that the prospect of another market meltdown ultimately will force Trump to negotiate at an expected summit with Xi late this month, the people said.

Note

Beijing continued playing hardball this week, escalating the trade fight Monday by sanctioning the U.S. units of South Korean shipping giant **Hanwha Ocean.** The move whipsawed U.S. markets Tuesday, triggering a sharp early selloff as hopes for easing tensions faded, before major indexes partially rebounded and steadied in the afternoon.

Last week, Beijing imposed sweeping restrictions on the export of rare-earth minerals, which are vital to consumer electronics and the tech industry. Trump then threatened additional 100% tariffs on China starting Nov. 1.

Both sides have vacillated between tough talk and de-escalation in recent days, but the rhetoric took a harder turn Tuesday. China's commerce ministry accused the U.S. of "double standards" regarding tariff threats and vowed that China would "fight to the end" in the trade dispute.

On social media, Trump said the U.S. is considering "terminating business" with China on cooking oil and other "elements of Trade," because of China's refusal to buy U.S. soybeans—a decision Beijing has said is retaliation for Trump's own tariffs.

Trump frequently wields the market as a real-time barometer of his economic stewardship. He has taken to social media to trumpet record market highs, crediting his administration's policies. Conversely, when the market has faltered, particularly in response to his aggressive trade policies, he has tended to retreat or float the prospect of new deals.

While Trump hails the strength of the U.S. economy, Chinese officials see weaknesses that would worsen during a trade war. With hiring slowing, manufacturing contracting and prices rising, many economists say the U.S. isn't positioned to absorb another major trade fight with China. The market's sharp negative reaction Friday to China's new rare-earth restrictions and the potential U.S. retaliation served as a reminder of the economic vulnerability Beijing seeks to exploit.

Note

China's own economy has been in a protracted downturn, weighed down by a collapsed property market, everrising debts and weakening consumer confidence. However, Xi is far less beholden to market swoons, even though the Chinese economy faces a precarious outlook.

Speaking to reporters Tuesday at the White House, Trump projected a mix of his usual stated personal affinity for Xi and open confrontation when addressing the trade dispute with China.

"I have a great relationship with Xi," Trump said, before quickly adding: "But sometimes he gets testy."

Acknowledging the severity of recent Chinese actions ranging from its new rareearth export controls to the latest shipping-related sanctions, Trump said, "We have a lot of punches being thrown."

Beijing softened its tone Sunday after Trump reacted furiously to the rare-earths restrictions, but its de-escalation appeared to be a tactical pause.

According to the people close to Beijing's decisionmaking process, Xi's hard-line strategy is based on the belief that Trump will ultimately fold and offer concessions rather than deploy Washington's own significant leverage. This confidence was fueled, the people said, by a U.S.China trade truce struck in May. Trump had imposed tariffs of more than 100% on Chinese products but relented after Beijing used its leverage as the world's most important exporter of rare-earth magnets.

"It is precisely China's belief that Trump will fold—as he appeared to do on magnets earlier this year—that has led them to massively escalate," said Rush Doshi, a scholar at Georgetown University and the Council on Foreign Relations who previously served in the Biden administration.