

Understanding China Series Update: US China Diplomatic Relations Fray

FEBRUARY 2023

In early December, the Chinese Communist Party (CCP) abruptly ended all zero-COVID lockdowns in response to anti-lockdown protests and pressure from high tech companies. At the World Economic Forum, Vice Premier Liu He charmed attendees and promoted China investment. China's reopening and wooing of foreign investors has boosted Chinese asset prices and prompted the International Monetary Fund (IMF) to substantially upgrade China's economic outlook in its latest assessment.

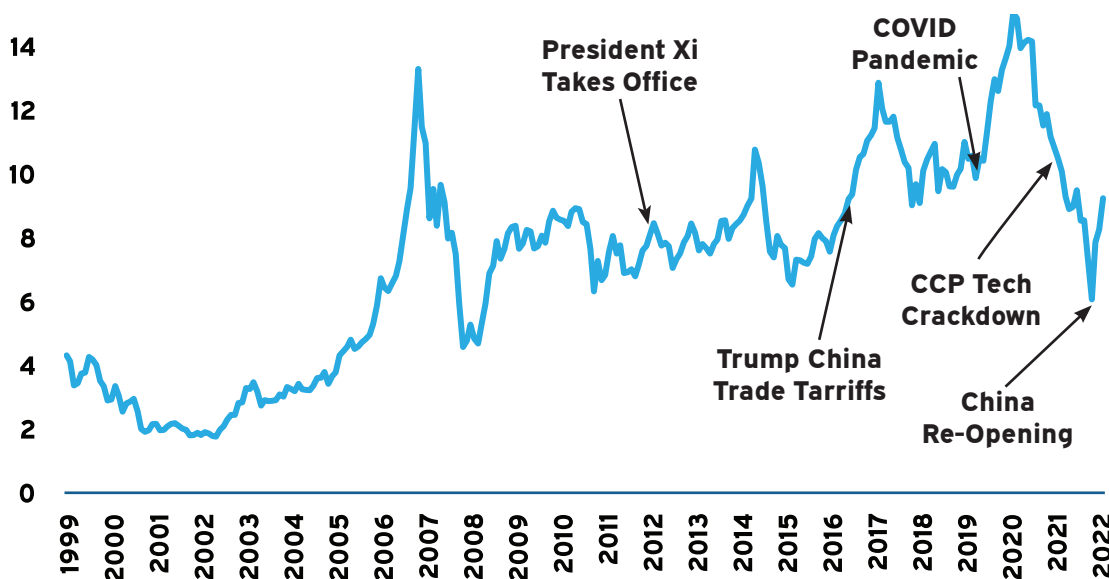


FIGURE 1
MSCI China Index (Since Inception – January 2023)

Source: MSCI China Index and Bloomberg as of January 2023.

In January, the US State Department prepared for Secretary Blinken to meet with President Xi. But on February 2nd, US defense officials reported that they were monitoring a flying object over US airspace. The US maintained that the object was almost certainly Chinese in origin and designed for intelligence gathering. China apologized and insisted that the object was a weather balloon that went off-course. The balloon was shot down off the coast of South Carolina on February 4th and Secretary Blinken's trip to Beijing was cancelled. On February 8th, the US House of Representatives voted 419-0 to censure China for violating US airspace, and the US added another six civilian Chinese aerospace companies to its sanctions list. The 'tough on China' sentiment appears to have gained momentum with little appetite for de-escalation of tensions in the near term. On the anniversary of Russia's invasion of Ukraine, President Putin and the CCP reiterated their close working relationship and deepening economic ties. China's continued support of President Putin will further fuel the 'tough on China' mood on Capitol Hill.

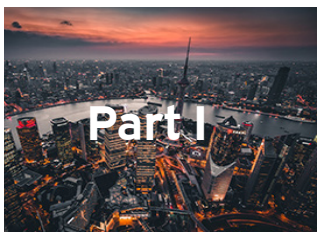
While US-China diplomatic relations continue to evolve, we have examined China, its economy and investment landscape, in our research series "Understanding China". This research series is comprised of a webinar and three in-depth white papers providing an examination of current political, policy, economic, geopolitical headwinds and the trade-offs between economic gains and political risks.



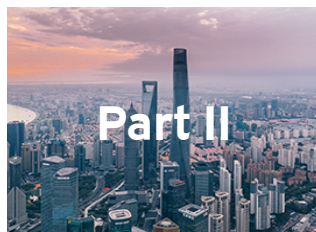
To watch an engaging conversation regarding China as an economy and portfolio exposure, please view our culminating research webinar, **"Understanding China"**

<https://meketa.com/leadership/understanding-china-webinar/>

To explore more of Meketa's in-depth research on China, please visit the **Thought Leadership** section of **our website** to read our 3-part white paper series "Understanding China | An Economic and Investment Perspective" or click below:



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