

### THE CHRISTMAS TRUCE



*“I wouldn’t have missed this unique and weird Christmas Day for anything... I spotted a German officer... I intimated to him that I had taken a fancy to his buttons... I brought out my wire clippers and, with a few deft snips, removed a couple of his buttons and put them in my pocket. I then gave him two of mine in exchange... The last I saw was one of*

*my machine gunners, who was a bit of an amateur hairdresser in civil life, cutting the unnaturally long hair of a docile Boche, who was patiently kneeling on the ground whilst the automatic clippers crept up the back of his neck.”*

*Statement issued by Bruce Bairnsfather, witness of the events.*

With Christmas truce we mean a series of unofficial “cease-fire” occurred in various areas of the western front of the First World War in the days around Christmas of 1914. Already in the week before Christmas, members of the German and British troops, deployed on opposite sides of the front, began to exchange greetings and songs from their trenches, and occasionally individuals crossed the lines to bring gifts to soldiers deployed on the other side; on Christmas Eve and Christmas Day many British and German soldiers (and a few French) spontaneously left the trenches to meet up in no man’s land to fraternize and exchange food and souvenirs. In addition to celebrating common religious ceremonies and burials, the soldiers of both lines socialized to the point of organizing soccer matches on the spur of the moment.

The truce wasn’t an organized event, nor universally spread: in some areas of the front the fighting carried on all Christmas Day while in others the two fronts only negotiated a temporary truce to bury the dead.

Truce USA-China. A 90 minutes meeting (like a soccer match) followed by a long dinner (the more international that there could be, without tariffs, of course) in Buenos Aires. At the end, during dessert, Donald Trump and Xi Jinping agreed on a 90 days cease-fire in the trade war, thus avoiding the coming into force on January 1st of tariffs at 25% on 200 billion dollars worth of Chinese goods imported by the USA. Tariffs will stay at 10%, said Wang Shouwen, the vice-leader of the Chinese negotiators. In Beijing’s version, the two sides will discuss the possibility of eliminating even the 10% tariffs. The new round of negotiations will last 90 days. A three months truce between the two economic superpowers that starts before Christmas, than. The American version, however, underlines that if at the end of this period of time the parties will be unable to reach an agreement, the 10% tariffs will be raised to 25%.

To this opening corresponds an equivalent Chinese step: “China agreed to purchase a not yet agreed upon, but very substantial, amount of agricultural, energy, industrial, and other product from the United States to reduce the trade imbalance between our two countries”. Starting from the American farmer’s products: “China has agreed to start purchasing agricultural product from our farmers immediately”. China had agreed to further open up its markets and that this process could lead to the resolution of “legitimate” US concerns. In exchange for these commitments, Trump decided to stop increasing the tariffs on Chinese exports.

The last point on which the Americans have managed to get a “yes” out of China is the one linked to the semiconductor sector. More specifically, the Americans want the deal between Qualcomm-Nxp –rejected by the regulatory authorities in Beijing last July after Trump’s decision on tariffs– to be approved. “Xi also stated that he is open to approving the previously unapproved Qualcomm-NXP deal, should it again be presented to him”, states the American document.

## THE PEAK: ALLA FONTE DEI MERCATI

The United States have reaffirmed their respect to the “one-China policy”, the American recognition that China is one and also includes Taiwan.

The negotiating climate starts again with new steps; Donald Trump and Xi Jinping will exchange state visits in the near future. In Beijing, they emphasize that the “important consensus” reached at the G20 dinner in Buenos Aires only means that the duellists have decided to take time to measure their strategies and better figure out the next moves. 90 days to find an agreement on the many and serious USA-China disputes do not seem enough. Unless, of course, they’ll be followed by another dinner and another truce.

On Friday, the USA index S&P500 closed the best week of

trading since December 2011, in anticipation of the positive outcome of the meeting between China and the United States. Outcome that has been confirmed. Now, the truce is not the end of the war but a good start to end it. There still are many unresolved issues and it would be unrealistic to think that everything will be settled in 90 days. Let’s enjoy a couple of days of rebound and then the focus will shift to macro data.



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