China: Market expectations for the upcoming Trump-Xi meeting: Signals from our investor survey

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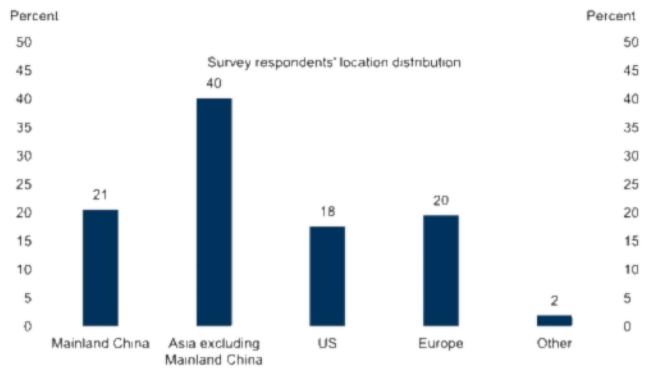
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On September 2, we launched a survey among investors to gauge market expectations ahead of the Trump-Xi summit in Washington later this month. The survey included five short questions and closed on September 12. Because responses are anonymous, we do not identify the respondent types, i.e. type of investors; investors' base was surveyed however to allow us to compare onshore and offshore views. Exhibit 1 shows that offshore clients accounted for around 80% of respondents.

Exhibit 1: Around 80% of our survey respondents are from offshore

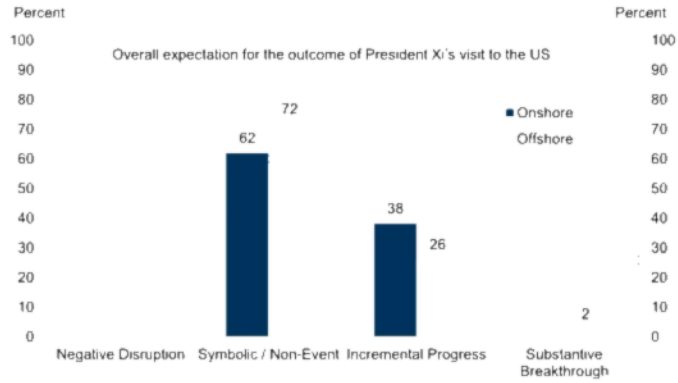


Source: Goldman Sachs Global Investment Research

Overall expectations: Most respondents expect President Xi's US visit to be largely symbolic, though onshore investors are relatively more constructive: 38% expect incremental progress, versus 26% of offshore respondents (Exhibit 2).

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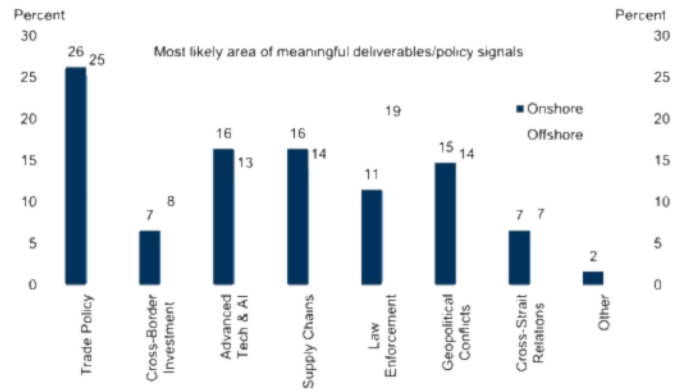
Exhibit 2: Around two-thirds of respondents expect President Xi's visit to be symbolic, while one-third expect incremental progress



Source: Goldman Sachs Global Investment Research

Potential deliverables: Both onshore and offshore investors view trade policy as the most likely area for tangible progress. Offshore respondents—particularly US and European clients—are also more optimistic about law-enforcement cooperation, including counter-narcotics (e.g., fentanyl), with 19% expecting tangible deliverables, compared with 11% of onshore respondents. On the other hand, onshore investors' expectations tilt slightly more toward advanced tech and AI, as well as supply-chain-related deliverables (Exhibit 3).

Exhibit 3: Most investors expect to see more tangible deliverables in trade policy than cross-strait relations and cross-border investment



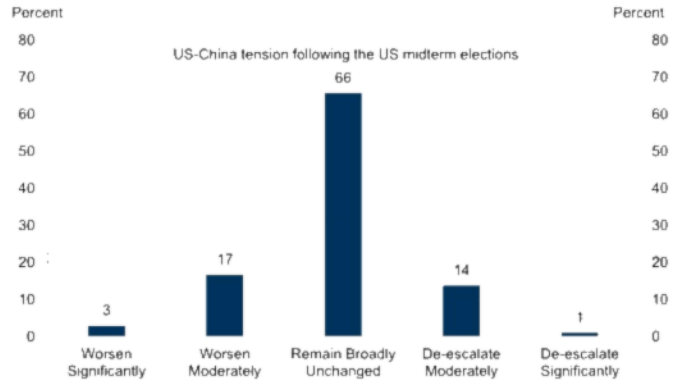
This was a multiple-choice question.

Source: Goldman Sachs Global Investment Research

US-China relations after the midterms: Beyond the meeting, respondents see limited scope for a meaningful shift in bilateral relations, with two-thirds expecting tensions to remain broadly unchanged after the US midterm elections (Exhibit 4). T views appears largely symmetric: around 15% of respondents expect a improvement in US-China relations after the midterms, while another 1 moderate deterioration.

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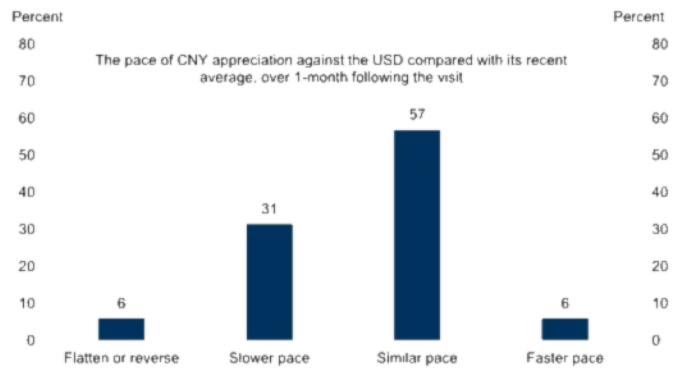
Exhibit 4: Two-thirds of our respondents expect US-China tension to remain broadly unchanged after US midterm elections



Source: Goldman Sachs Global Investment Research

USD/CNY: Onshore and offshore investors hold broadly similar FX views, with most expecting the pace of CNY appreciation to remain largely unchanged or to slow in the month following the visit. This suggests that investors expect limited event-driven upside for the currency (Exhibit 5).

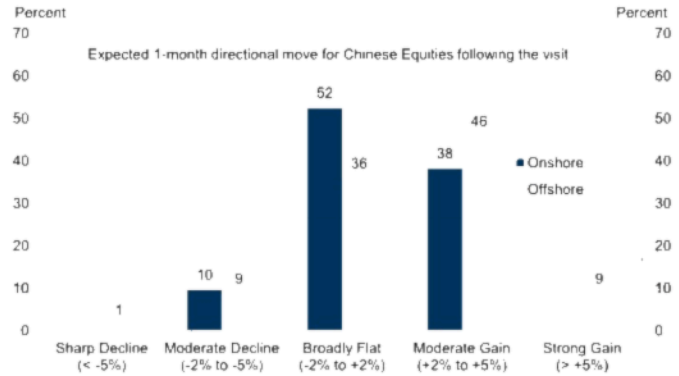
Exhibit 5: Most investors expect the pace of CNY appreciation to remain similar or slow after the visit



Source: Goldman Sachs Global Investment Research

Chinese equities: Offshore investors are relatively more bullish than onshore investors on Chinese equity markets despite their relatively low expectations for the summit. Among offshore respondents, 46% expect moderate gains one month after the visit and 36% expect the market to remain broadly flat, compared with 38% and 52%, respectively, among onshore respondents (Exhibit 6).

Exhibit 6: Offshore investors are generally more bullish on Chinese equities post the summit compared to onshore investors



Source: Goldman Sachs Global Investment Research

Looking beyond the September summit, Presidents Trump and Xi could meet two more times later this year—at the APEC summit in Shenzhen in November and the G20 summit in Miami in December—providing additional opportunities to manage near-term frictions and deliver incremental progress in selected areas. Our baseline remains that US-China relations are likely to stabilize rather than materially improve or deteriorate: both sides have incentives to avoid renewed escalation, but strategic competition over trade, technology, and national security is likely to persist. We therefore expect a managed, albeit fragile, détente, with targeted agreements possible but a broader reset in bilateral relations unlikely. We thank all clients who responded to our survey.