

What Trade War? China's Export Juggernaut Marches On

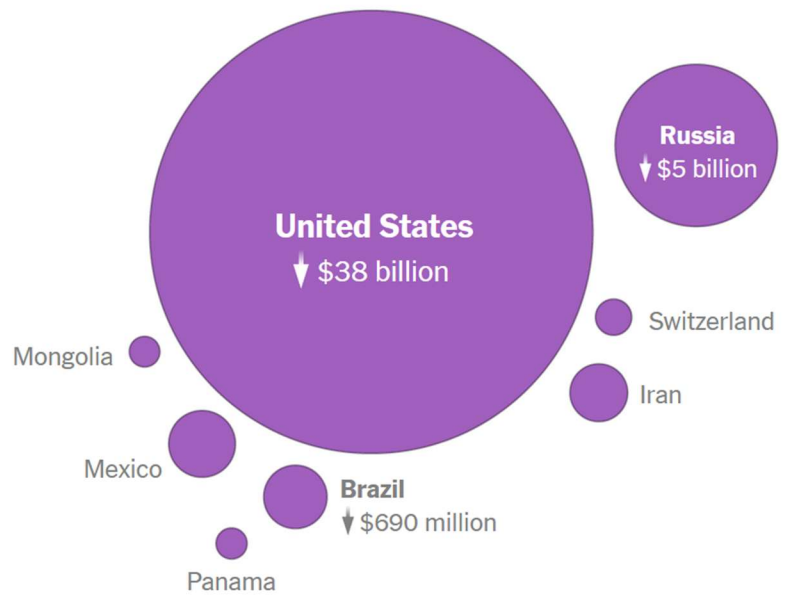
By Agnes Chang and Daisuke Wakabayashi, NYTimes, Nov. 3, 2025

As President Trump has imposed steep tariffs on China, American importers are buying much less. China has offset the decline from America with breathtaking speed. Shipments to other parts of the world have surged this year, demonstrating that China's manufacturing dominance will not be easily slowed. Chinese exports are on track to reach another record this year.

That's because China was prepared. It has been seeking out new customers for years, and its massive manufacturing investment allows it to sell goods at low prices. "They should not be surprised that China is able to find markets outside of the advanced economies," said Mary Lovely, a senior fellow at the Peterson Institute for International Economics.

Last week, Mr. Trump reduced the tariffs he imposed on China, though they remain at heights not seen in decades. He insists that his tariffs will force a revival of American factories and create jobs — a pledge that is contested by many economists and manufacturing experts. It is also unclear how effective his policies will be in stemming the flow of goods that originate in China and route through other countries before arriving in the United States.

Places buying less from China
Decline in China's exports, Q3 2025 vs. Q3 2024



China's global exports continue to grow despite Trump's efforts



The rest of the world is caught between the two superpowers. Some countries, including Vietnam 28% and members of the European Union 11%, are deeply concerned about the risk posed by China's exports to their own industries, and China faces a backlash in the form of tariffs in regions like Europe. Other nations, like Argentina 57% and Nigeria 45%, are buying

low-cost Chinese technology to modernize their economies but running up wider trade imbalances with China. For years, Americans have turned to China to outfit their homes and stock their offices. While the volume of Chinese exports remains enormous, the declines this year are widespread and drastic. The United States is buying less of almost everything from China.

Take, for example, plastic goods. China exported \$5 billion of those products — from laundry baskets to plastic forks — to the United States between July and October, down 16 percent from a year earlier. Last year, over a quarter of all Chinese-made furniture, including mattresses and lamps, went to the United States; now that number is closer to a fifth. China's exports of phones 47% and computers 54% to the United States were among the categories that declined the most. Mr. Trump exempted such consumer electronics from most of his tariffs this year, but Apple, Hewlett-Packard and other manufacturers have continued to diversify their supply chains outside China. The United States now gets most of its smartphones from India and its laptop computers from Vietnam, according to the latest U.S. government data.

Meanwhile, China is flooding developing economies in Africa 42% and South America 13% with cars, trucks, bikes and ships; it is expanding in Europe 7% and Asia 14% by shipping batteries and iron products. After decades of top-down priorities established by Beijing's industrial policies, China has become the world's leading producer of cars, batteries and solar panels. Struggling consumer demand in its domestic economy has put even more pressure on Chinese companies to find new business abroad. China also produced record amounts of steel over the past few years. This is now sold across the world at prices sometimes cheaper than bottled water.

Many African countries bought few of these items from China before this year. China sold only about 100 electric cars to Nigeria two years ago; this year it has already sold thousands. Solar panel shipments to Algeria thus far this year are already nearly four times that of all of last year. China's growing exports to Africa come as Mr. Trump has pulled back aid to the continent. Chinese companies are sacrificing profits by selling to Africa at low prices, but are, in many cases, gaining influence. "The margins may not be as high," said Ilaria Mazzocco, a deputy director at the Center for Strategic and International Studies. "But for those markets, it's entirely transformational to have access to this technology at affordable prices."

There are exceptions to China's ability to successfully make up for lost revenue by selling to American customers and redirecting exports elsewhere. Chinese companies, for example, make most of the world's toys, and the United States has long been its largest customer. Over the summer, China's exports of video game consoles, costumes and board games fell \$3.5 billion over last year, mostly due to a steep decline in shipments to the United States. It remains to be seen how effective Mr. Trump will be in pressuring countries, especially those in Asia, to reject rerouted Chinese exports as part of trade negotiations. These workarounds limited the impact of his trade measures with China during his first term.

One thing is certain: American consumers are buying more goods from other parts of Asia. In September, Thailand's exports to the United States rose by 33 percent. Taiwan's exports also grew by 51 percent, and Singapore's by 13 percent. The shifts in China's exports are part of what is expected to be a continuing and unpredictable transformation. Mr. Trump's tariff reduction last week, which he said lowered overall tariffs on China to about 45 percent from about 55 percent, could stabilize China's exports to the United States, said Gerard DiPippo, associate director of the RAND China Research Center. But despite agreeing to a one-year trade truce with China, Mr. Trump is considering whether to impose additional tariffs on industries dominated by China, such as pharmaceuticals and drones. He is vowing to wean America off its reliance on China for some critical minerals. With more than three years left in office, Mr. Trump's campaign to reshape trade is unlikely to end here.

Rupee rangebound, far forward premiums retreat to over two-month low

By Jaspreet Kalra, Reuters, November 5, 2025

The Indian rupee shuffled in a tight range on Thursday as a boost from improved risk appetite globally ran into importers' dollar demand, while dollar-rupee far forward premiums slid as U.S. Treasury yields rose. The rupee was last at 88.6050 against the U.S. dollar, up modestly from its close of 88.6550 on Tuesday. India's financial markets were shut on Wednesday for a local holiday. An easing of the selloff in global tech stocks helped boost risk appetite globally, helping Asian currencies and equities nudge higher. The MSCI's gauge of Asian equities outside of Japan was up nearly 1% and India's equity benchmarks, the Nifty 50 (.NSEI) and BSE Sensex (.BSESN) were little changed on the day.

While the rupee kicked off the session on a stronger note too, importer activity eroded some of its gains, according to traders. On the flipside, frequent interventions by the Reserve Bank of India to prevent the rupee from falling past its all-time low at 88.80 have spurred expectations that the central bank is unlikely to relent in its defense of the key level in the near-term. State-run banks were also spotted offering dollars near 88.65 on Wednesday, a trader at a large private bank

said. "The RBI has successfully defended the 88.80 level twice, establishing it as a strong resistance zone for USD/INR, while support now sits at 88.50–88.60," said Amit Pabari, managing director at FX advisory firm CR Forex.

Meanwhile, the dollar index was perched at the 100-handle and U.S. Treasury yields rose after data showed that U.S. services sector activity increased to an eight-month high in October, lowering chances of a Federal Reserve rate cut in December. Money markets trimmed wagers on the Fed's December rate cut, leading to dollar-rupee forward premiums retreating. This pegged the 1-year dollar-rupee implied yield back to 2.13%, the lowest level since late-August.

UK pre-budget blues and rate cut concerns pile pressure on pound

By Amanda Cooper and Dhara Ranasinghe, Reuters, November 6, 2025

Traders are growing gloomy on the outlook for the pound, already at its lowest in months, concerned that a long-awaited budget this month will do little to boost Britain's growth prospects. Options markets show pessimism over the pound is at its highest level since January, when UK government bonds came under pressure, amid fiscal and monetary policy uncertainty. Much of this reflects expectations for the Bank of England to cut rates, possibly on Thursday, which would reduce returns for savers and investors and mean less demand for sterling. Meanwhile, finance minister Rachel Reeves this week laid the ground for tax rises in a November 26 budget, flagging "hard choices" to keep Britain's finances on track.

Although sterling is at its weakest against the dollar since April, at around \$1.305, and near its lowest against the euro since 2023, at around 88 pence, this is not proving enough of an incentive for investors to buy it. Markets now reflect a roughly 33% chance of a BoE interest rate cut this month, up from virtually nothing just weeks ago, with another two cuts priced in for the first half of 2026. "We are still short the pound," said RBC BlueBay Asset Management fixed income CIO Mark Dowding, referring to a bearish bet on the currency, adding: "Reeves seems wedded to a material tax rise, which will hurt growth". A fiscally tight budget that keeps so-called bond vigilantes at bay but also dampens growth, may lead to more rate cuts. "Reeves has a difficult tradeoff - fiscal tightening is a negative for growth and confidence is low," said Lloyds currency strategist Nick Kennedy, who thinks the euro could reach 90 pence in coming weeks.

FROM BULLISH TO BEARISH

Investors have held bullish sterling positions for most of this year. But that conviction has waned as the outlook for the economy and rates has muddled, which is reflected in options markets. One-month risk reversals, measuring the difference between the cost of owning an option to buy the pound in the next month and the cost of owning an option to sell it, have fallen to -1.21 percentage points. This is the lowest since January, as the cost of owning a sell, or put, option, has grown relative to the cost of a buy, or call, option. "Risk reversals have definitely skewed to the downside," said Derek Halpenny, head of research for global markets EMEA at MUFG, adding this was mostly down to shifting BoE expectations.

Sterling has fallen against the Swiss franc, Chinese yuan and the Australian dollar this month. And while it is up just over 4% against the dollar in 2025, this compares with a year-to-date gain of 9% only two months ago. Despite the market gloom, implied options volatility, a proxy for trader demand for protection against large swings in the pound to late November, has been subdued. Although it hit two month highs of 7.2% on Wednesday, that is well below the 10% seen during January's gilts rout and the 20% logged during 2022's mini-budget market crisis. Halpenny said this could be because UK officials have tended to drip-feed the budget, lessening the element of surprise on the day and meaning investors are a bit wary about positioning for bouts of volatility when it could come sooner. And while traders may be gloomy now, if the budget proves to be less restrictive than expected, sterling could gain longer-term, Halpenny added. "I would view an 'aggressive budget' of tax hikes as sterling-negative from a BoE rates perspective," he said. "But over time, if that is perceived as credible, then that certainly becomes a more supportive source for sterling."

Argentina's Milei defies calls to float Argentine peso freely, FT reports

By Reuters, November 5, 2025

Argentina's President Javier Milei has rejected investor calls to allow the peso to float freely following his victory in midterm elections, the Financial Times reported on Thursday. In an interview to the Financial Times, Milei vowed to accelerate his free-market reforms and deepen his alliance with U.S. President Donald Trump. Milei told the newspaper he would keep the peso within gradually widening bands against the U.S. dollar at least until elections in late 2027 to temper Argentina's chronic volatility.