

Did One Word Change the Xi / Biden Meeting?

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Ahead of the APEC summit, we published a [SITREP](#) focused on the military and national security considerations and a [T-Report](#) focused on the likely market and economic impacts of the meeting between Xi and Biden.

While the meeting largely seemed to go according to plan (cracking down on the source chemicals of fentanyl, reopening direct military-to-military communications, etc.) one word, in response to a last-minute question, seems to have caused a lot of consternation.

President Biden was asked near the end of the press conference if he would still refer to Xi as a **dictator** (as he had called him this summer). Biden's answer was "yes." He did lay out his interpretation of why he believes that Xi is a dictator, but was it necessary?

I am not the most politically astute person on the planet, but even I would likely hesitate to label someone as a dictator after 4 hours of meetings that apparently made some progress. China definitely took note of Xi being labeled a dictator the last time, and made public comments expressing displeasure. It also appeared that Secretary of State Blinken was less than thrilled with the monicker being applied again.

In the end, it is probably not that big of a deal in the grand scheme of things (and too close to the truth) to derail any "progress" being made on a broader array of deals and actions, but it will likely cost us something.

The other word that I'm thinking about is "**democracy**." If democracy is "meant to represent the people" what does it mean when every poll that I see indicates that the vast majority of Americans do not want a rematch between Trump and Biden, yet the system seems intent on giving them one? Is that how it is supposed to work? While we scrutinize other leaders and systems, what about our own?

I'm going to have to pick up my well-read copy of *Animal Farm* and read it again. It is one of my favorite books of all time. While it beautifully demonstrates how communism eventually looked a lot like the system that it replaced, I always think that it is a reminder that there is a risk to any system that "the new regime can look much like the old one."

Bottom Line

Despite the dark view, I do think that **we will see some reduction in the tensions with China in the coming weeks, which will be good for markets** (lower inflation and chatter about "re-globalization"). This, along with weakening economic data, will be very good for stocks and bonds (at least initially).

Over time, the economic data could weaken enough that "bad news" actually becomes bad news for stocks, but that is a tough bet heading into Thanksgiving and year-end where seasonality typically helps stocks. Certainly, there have been signs of some immense pain trades over the past few weeks (too many shorts in Treasuries and equities, too many bets against small and mid-caps, and too many longs in oil).

I guess that I'm tiptoeing through the tulips for now (and hoping that I'm not mistaking this for whistling past the graveyard).

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