

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

Please note that this podcast transcript was machine generated. As a result, it may not always read smoothly, as it reflects unedited spoken content. For the clearest understanding of the podcast's content, we recommend listening to the podcast itself. For complete clarity on the topics addressed, we encourage you to always read the related Dividend Cafe missive and related communications at dividendcafe.com.

Hello and welcome to this week's Dividend Cafe. I am your host, David Bahnsen. I'm the Chief Investment Officer here at The Bahnsen Group, and our entire team is in Dallas, Texas right now where we are doing our company offsite, our annual retreat, if you will. Couple days of meeting sessions, discussions, and hopefully a little bit of fun and all that kind of stuff as well.

And then we all go back to our respective destinations on Saturday and Sunday. So, the reason I bring that up is that we really care about this event a lot because we really care about the client experience that we deliver. To say we care about it is somewhat cliché and also understates. The reality, we obsess over it.

We're a very competitive and driven group, and there's also about 90 of us now, and the first time we ever did this kind of offsite, that has been an annual tradition for many, many years now. There were six of us there, and so it's, it's grown a lot over the years and the complexity. That goes into the event and how we go about really trying to build that culture, that comradery with one another and yet drive a better shall we say, business plan out of it the way in which we go about serving clients, which is our business.

It's really a wonderful experience and event and I just wanted to share that with all of the Dividend Cafe listeners and viewers. Now business must go on of course. And right now, one of the major elements of business and markets has been the US China deal. Now it's not just right now, it's not just because last weekend the president announced that they had basically gotten to the point they wanted to get with President Xi.

Of China and rating the deal on a scale of one to 10. President Trump said it was a 12, but that's all current events and important right now and where I'm gonna focus today's Dividend Cafe talk on. But the China US story has been a major story, if not the major story, and adjacent to the major story.

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

Of the economy all year. And of course we remember the drama in markets back at Liberation Day in early April, which is now seven months ago. But even entering 2025 after the Trump election in November, we knew that us. China trade and the overall issue of tariffs, not just with China, but other trading partners as well, was going to be a major part of the economic story of 2025.

And it took quite a few turns along the way. Now my theme, if you read exactly what I wrote about it back in our annual white paper, our year ahead forecast paper at the beginning of the year. Was that those who believed there would be nothing at all. No noise around this were wrong. And those who believed we would go into another Smoot-Hawley trade war were wrong.

But that so in other words, the far end of right tail and left tail risk were likely in error, but that there'd be a lot of noise and enhanced volatility. And yet ultimately. Markets would not allow something ultra severe to play out. And I do believe that that is exactly. How this has gone and what we're dealing with in the US China discussions would be categorically different without the prominence of what I call my friend Renee.

Anna now calls, but I can't remember if I gave this term to Renee or he gave it to me. But let's just say we both share it together and do not charge each other a royalty fee. For use of the term market discipline. That market discipline first of all is the major driver of what is altered administration policy with China this year, but also market discipline permanently constrains the political leadership.

The political leadership does not. Create market discipline, market discipline, constrains, political leadership. , it is true that Renee Anou Corbu writes about this a lot, but it's been a focus of discussion between Renee and I privately for many, many years. And, and so as I go through right now, the highlights of what has been codified in the US China trade talks market discipline.

Undergirds a lot of it, and I wanna highlight what has changed since Liberation Day and then what really remains unknown and what we ought to be thinking about as market actors as we go forward with the rest of this. So the major issues I

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

want to highlight in the arrangement. First of all, let's just put the caveat out there that we don't know all the details.

We often are given frameworks and not the specific deals. And a codified written deal is not yet in place. But we do know what both sides have stated is part of the arrangement and what has allowed the administration to say this is a 12, not a 10, not a, on a one to 10, what are we talking about here?

Well, first of all, the US is reducing tariffs on China. By 10% after President Xi has promised to do more to clamp down on fentanyl coming into the United States. So President Trump had added a 20% tariff as a so-called fentanyl levy, and he's now cut that in half. China is agreeing to pause their export controls or review process.

On rare earth minerals for one year, and then the US is dropping its threat of additional tariffs around that. China's committed to buy, and I quote, a tremendous amount of US soybeans from the US. The quantity commitments do not appear to be part of the deal, but they may be forthcoming and just haven't been released yet.

But the specific language that's been released was via the White House release and President Trump's press conference that uses the very specific term of tremendous amount. The US has greenlighted a significant amount of Nvidia chip sales to China, not. Yet the full powered so-called Blackwell chip.

So they're still seeking to limit the most high powered and competitive chips in sales to China. I'm gonna talk more about that in a moment, but a big increase in quantity of high tech semiconductor capacity being sold by the United States to China. China is agreeing to purchase more oil and gas from Alaska.

The LNG part of that, the liquified natural gas could be largely gonna be from Alaska for logistical reasons, but there will be other LNG producers part of the export process to China, and I believe the crude oil will be entirely from Alaska. Then the US has agreed to suspend port fees on Chinese ships for a period of time.

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

This comes with President Xi saying that he believes. Cooperation is the better way to get things done, and retaliation is counterproductive. There's a lot of deescalation from both sides. Both sides had leverage over the other, and both sides have used it. And what you really get, and that, by the way, even intensified is recently as the last four weeks, let alone the last seven months.

But what you essentially get out of this, if I were just giving a very basic summary. China will be a bigger customer of soybeans, oil and gas. The US will be a bigger customer of rare earth minerals. The US will continue selling China high tech equipment. The bulk of the rest is status quo. Now, there's a lot here we don't know, and I wanna point some of these things out as well.

A broader trade deal, again, using the White House's own language is supposed to be forthcoming, and we do not know exactly what be included in that, but we expect more carve outs, more tariff reductions, and more increased potential markets. President Trump is agreeing to go see Xi in China in April of 2026.

So a six months from now a us stateside visit president Trump being stateside to China. That's a very big deal, and yet it also being six months away, there's a lot that could happen in between and a lot that will end up on that agenda that may not be foreseeable right now. President Xi will supposedly be coming the United States after that visit. And that would be a, a really hi historical moment if it were to happen. We do not know exactly what posture. China will be taking with Russia going forward as it pertains to US efforts to end the Russia, Ukraine war. We do know that there has been discussion in this deal about China being a part of us efforts to end it, but there's uncertainty as to what China's going to do and not do as it pertains to.

Flexing with Russia, and we also do not know where exactly Taiwan discussions will go. They're not a part of this deal. According to President Trump, it hasn't come up. We know that China wants to see a greater commitment from the us. To lean out of Taiwanese independence, and I imagine that would be part of the agenda of a Trump visit Toxi in China in April, but it is not part of the particular imminent arrangement now.

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

And then finally, I believe that additional 10% so-called Fentanyl tariff will be coming off, but we don't know exactly when, and right now the speculation would be that it would be in April. We will see. But I think that this really brings us to an important point. About the change in everything around the US China situation since Liberation Day.

I wanna quote the aforementioned Renee Anna. Now in a recent commentary, the post liberation day market discipline and subsequent rewards in capital markets has converted President Trump from a protectionist to an integrationist. While there is a continued significant amount of protectionist rhetoric that comes from the president and is still a, an ongoing theme in a lot of the ways he's trying to talk about other trade deals, I don't think we're gonna stop hearing him say about other companies are ripping us off, or I wanna bring these jobs back and things like that.

But when it comes to the China relationship, we hear absolutely no conversation about decoupling. What we do here instead of protectionist rhetoric about jobs coming back is opening new markets. In other words, increasing and intensifying sales of an activity between the two countries. This is categorically different than the language we heard.

Back in April. This does resonate in a more consistent way with the agenda of SEC Treasury secretary Scott Bessant that. They want to open new markets and that has always been his look. He's gonna tow the party line about tariffs and yet the agenda behind tariffs from Secretary Bessant's lips has always been more about opening new markets than it has been trying to shut down trade activity.

And I think trade protectionism carries a much different macroeconomic risk than attempting to increase markets. Now, people can agree or disagree. With whether or not this should be happening, people can agree or disagree whether or not it will happen. Particularly when you start talking about FDI from China.

The foreign direct investment commitments may very well not materialize, and I think everybody understands that, but it is a different focus and markets are far more open to a back and forth about China and us doing more. Then they are to the

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

idea of really trying to shut down imports, in the United States, US importing from China.

So, it's exports for them, imports for us around cosmetics, around toys, around plastics, around low price goods and to the extent that there is a higher cost now baked in. That is something I've written about a lot this year that the US economy will have to absorb, but there is very little possibility at where things stand that we totally deincentivize the purchase of these items from China.

I think that. There are textbook comparative advantages that exist, the rare earth mineral side with China, the high tech capacity here in the United States, and both sides are leaning into those comparative advantages and selling them to one another. Now, we're not just selling them, but doubling down on that.

Is this going to be the final outcome here? We don't know. I mentioned the Blackwell, chips of Nvidia, the highest tech, highest capacity chip that the US has to offer via one of the US based companies, in this case, Nvidia. That remains to be seen. The CEO of Nvidia has been. On speed dial with the White House throughout this process.

And that's a theme that we ignored or on peril. It is paid to be big in this trade and tariff drama with China in 2025. The way in which things have been threatened but then not done with the apples and Nvidia is categorically different than the impact that we're seeing with a lot of small business.

Does this whole. Let's call it quasi stabilization in trade tariff drama with China. Put China out of the woods. Like are they okay now? Economically, not by a long shot. Their challenges were primarily never about a marginalization of exports to the United States. They face the bursting of a property bubble that is large, dramatic, and nowhere near over.

They have a state owned banking system that is then going to have to require some form of first liquidation of bad debt and second reflation. They are not going to, and I say this to their credit, they don't appear to be going to. The use of monetary elixir the way that the U.S., well first Japan, then the us then European Union all

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

did, and that may very well improve their recovery and limit some of the hangover effect that I believe lingers with countries that overly drink from the hair of the dog cup of monetary policy.

But the overall balancing act of China's economy, of trying to be trying to fortify domestic consumption and be less reliant on the exports of their own production, they, that they have a long way to go there. And how do you go about normalizing and fortifying an economy? It's with freedom and they don't have that.

And so the lack of a free flight of human beings, a free flight of capital, a high mobility for people to come and go, and capital to come and go, they do not have that. And that is really the elephant in the room for their economy. But all things being said, if you have all the problems you're gonna have and an additional destabilizer of uncertainty around US trade.

Then that is much worse, and I do think some of that left tail risk has been largely remedied. Now we're not out of the woods here in the US either. I mean all indications that we are making ourselves more dependent on rare earth minerals from China, even though we are seeking to buy ourselves time to consider other options.

And we are most certainly continuing to sell some of our best technology to China. Yet we have also produced big incentive to China to go about coming up with their own solutions to this. And so as the ongoing AI and tech battles and, and race play out, I mean, look, the US is in the lead there.

That's just incontestable, but the race isn't over. And anyone who thinks so is wrong, I think it's a good thing for the US to be a seller of oil and gas lean leaning into that aforementioned comparative advantage. But I don't think that we know the final answer about where demand stands.

If China's economy is weakening and global demand is softening, then the supply side is less relevant and so getting a big benefit to the US energy sector. On the supply side, if demand is waning, those things are remain to be seen. And so we

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

have more work to do here. I am gonna recommend you read the article on this subject at Dividend Cafe dot com.

I think there's a few charts there and a little elaboration. That will be useful, but essentially this is where things stand that we really got back to a status quo deal. We took a lot of the heaviest levels of risks off the table from Liberation Day. I'm doing my very best here to depoliticize this discussion because this is not fundamentally a political thing for me.

Do I happen to believe a lot of what we got done here could have been done with a lot less noise along the way? I certainly do. And do I really believe that a lot has gotten done? I mean, isn't a lot of the top headlines here cut and paste in 2019? Yes. But nevertheless. If you get more foreign direct investment, that will end up being a boon for the US and a lot of that is priced in.

If we get a larger customer base, at least on those few things, that we have a comparative advantage of soybeans and oil and gas, that's a boon to the us, those who are hoping for some sort of isolationism in the dynamic of China that I never believed was gonna happen, and it most certainly is not on the table from what we're seeing here.

So this remains an ongoing element, both for the global economy, but certainly for the US economy. But do I think it appears we're ending 2025 exactly where I forecasted we would on this subject in our white paper a year ago in a stronger US relationship with China than we started, despite the fact there was a lot of noise along the way.

Well, I think so, and I'll use President Trump's own words to end today's Dividend Cafe. We just made a great deal with a great leader of a great country and President Xi is a great friend. Those are the words of President Trump five days ago describing this. 12 on a scale of one to 10 of a deal, that's where things stand.

My friends pays to be big apparently right now. And we move on to other economic discussion items next week. By the way, one of those is gonna be a

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, NOVEMBER 7, 2025

pretty big evaluation of what might happen out of an AI CapEx bubble burst. More to come on that. Thanks for listening. Thanks for watching. Thank you for reading.

The Dividend Cafe, all of TBG wishes you all the best from Dallas, Texas. Have a great weekend.