From tariffs to FED

August gave a preview of the movements, uncertainties and hopes caused by Donald Trump's trade war. In early August, U.S. president announced a 10% tax on 300 billion dollars of Chinese imports. The same day Beijing responded by devaluing Chinese yuan. On August 5th, another tariff announcement. If all the announced tariffs are implemented, from December 16th 95% of Chinese imported goods will be taxed. This means that the effect of trade tariff threats will decline. Xi Jinping does not want to renounce to state-owned enterprises, to High Tech know-how protection and to his industrial policy. These are crucial points of the social contract between the communist party and the population: economic growth in exchange for the maintenance of the party monopoly. Trump is convinced that by undermining China's growth, he is able to split China's communist party solidity: a pressure similar to the one Reagan imposed on Soviet Union. Trump knows that international fears become financial flows towards the U.S. Trump now needs the Federal Reserve to continue his threats, as the conflict has moved to currency level, and the S&P should remain above the 200 days average. Trump's opponents as well are trying to politicise the Federal Reserve: William C. Dudley (former FED member), encourages Jerome Powell not to cut interest rates, in order to prevent Trump to win a second mandate. At the next meeting on September 17th and 18th, Powell could choose data neutrality, hindering both stock exchanges and Trump. New scenarios will open again: a reduction of tensions from Trump's side or an open challenge to FED?