Mizuho Brief: US-China

Economics & Strategy | Asia ex-Japan

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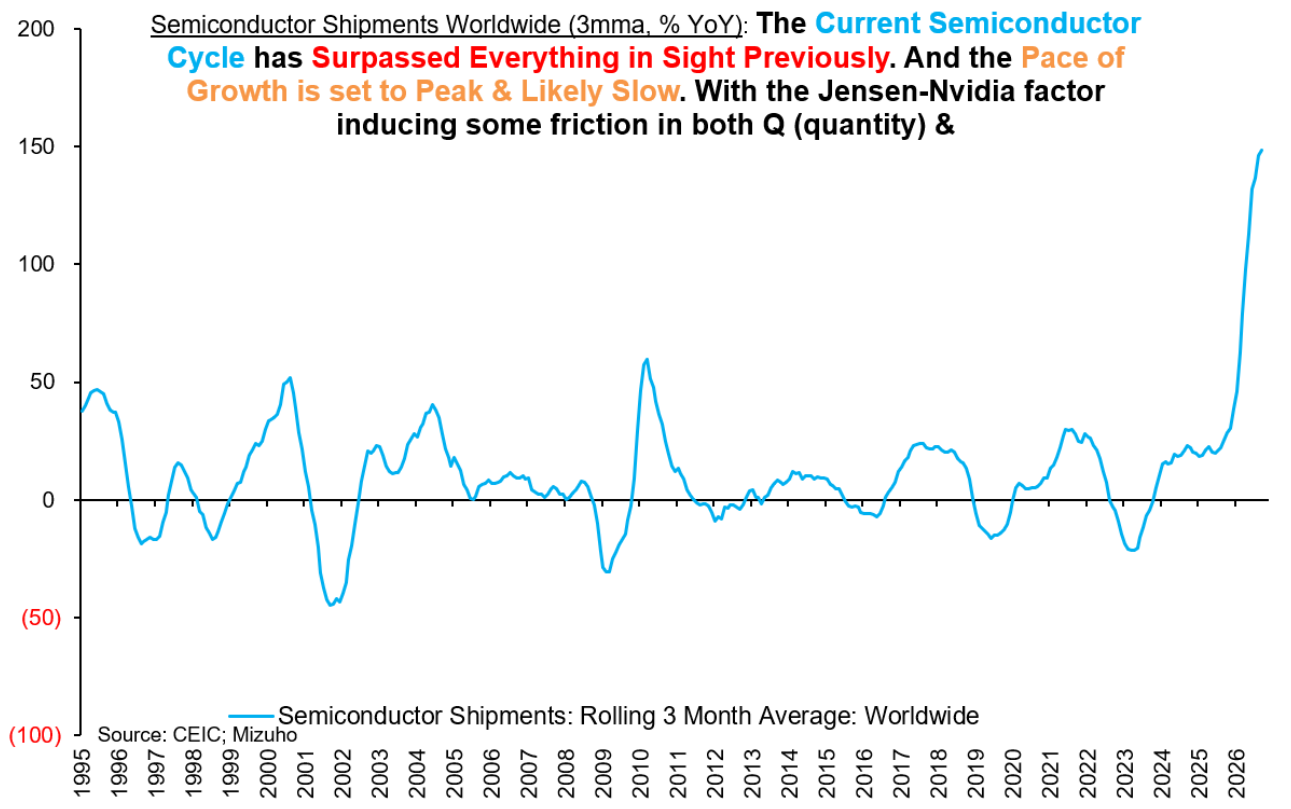
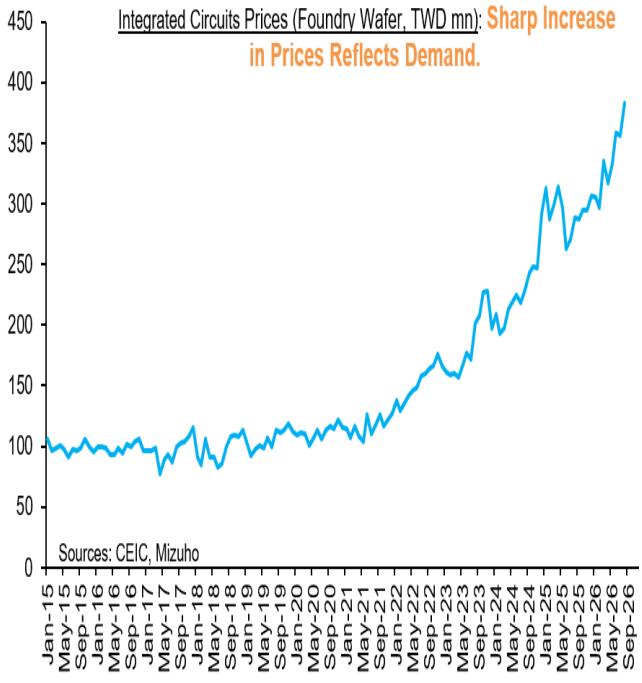
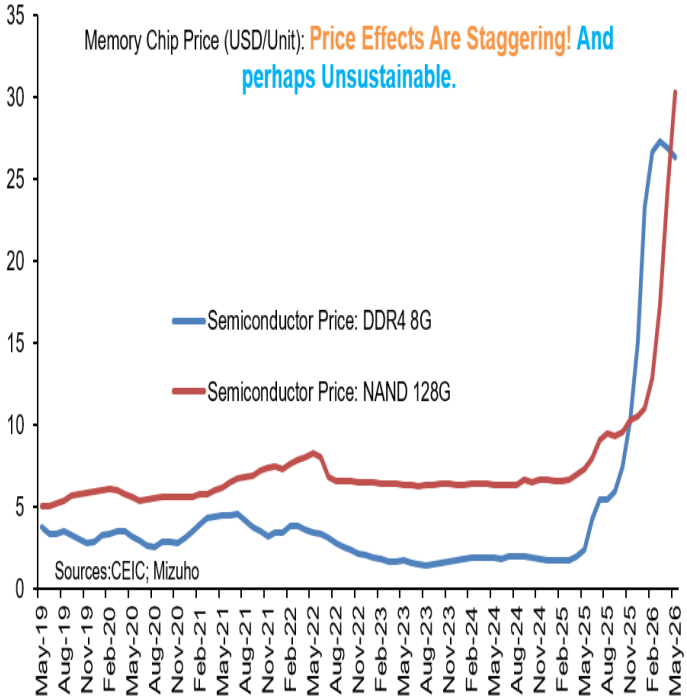
"Jensen-Nvidia Fiasco" – US-China Geo-Strategic Lever, Not Diplomatic Dis-Engagement

"Nothing was solved when the fight was over, but nothing mattered …" – **Fight Club**

1. **US-China Relations**: At the risk of being too sanguine, the **Jensen-Nvidia fiasco is perhaps the latest** (of an ongoing) **attempt in wresting leverage *but* does not fundamentally change the existing US-China relations** - which exists *in the context of sanctioned entities (e.g. Huawei) and technology*. So, it **may accentuate the tensions** and **reinforce bilateral posturing** **but** does **not** constitute **a tectonic shift**.
2. **The US-China Spillover Risk**: Nonetheless, the **bipartisan digging of heels to guard against** (and stymie) **China**'s advancement and gains will remain **an enduring feature in the global macro**. From which, the *collateral damage from US-China may perversely continue to hurt other economies worse* – as has been the case for both the 2025 "trade wars" and this year's military conflicts.
3. **The Jensen Factor**: This **may not be a redefining Jensen Gate moment for US-China relations** as much as it is **another arrow in the quiver of US-China rivalry** –a reminder that even **as US and China** have no choice but to **make commerce and diplomacy work** (***around***) the **unrelenting rivalry**.
4. **US-China Leverage, Not Disengagement**: The upshot is that the Jensen-Nvidia fiasco, with regards to US-China relations/rivalry, is **Geo strategic lever not cause for diplomatic disengagement**.
5. **The Broader A.I. Shifts that Matter**: Cutting through the noise, **AI advantage/dominance** will remain **a question of adoption**, **assimilation** and **distribution** before it ***becomes one of dominance***.
6. **Demand to Precede Productivity**: **Near-term**, *AI will be more a demand-driven growth boost rather than an enduring lift for productivity.* Whereas *productivity gains will probably accrue over the medium term.*
7. **The Bigger Picture Further Out**: ***Crucially***, *A.I. will ultimately, quite inevitably, entail* **huge socialization of the costs** (energy, water, wider resources) **with a bias for accentuating distribution in favour of capital (owners)** – **amplifying inequalities** (and ***indirectly, social-fiscal fragilities***)
8. **Upcoming Trump-Xi-Putin Summit**: There could be **more transactional deals**. But almost all of these will be ***partial and opportunistic agreements*** rather than a reset to a stable equilibrium. **Greater geoeconomic vulnerabilities may be inevitable despite these diplomatic punctuations**.
9. **Asia Implications**: The silver lining is that *Trump will likely downplay the geopolitical impact from* ***Jensen-NVIDIA fiasco****. But that said,* **AI-driven growth momentum in Asia may still decelerate into 2027** (albeit from an exceptionally fast clip) as friction from tighter second-order US restrictions dampen activity and confidence.


Semiconductor Shipments Worldwide (3mma, % YoY): The Current Semiconductor Cycle has Surpassed Everything in Sight Previously. And the Pace of Growth is set to Peak & Likely Slow. With the Jensen-Nvidia factor inducing some friction in both Q (quantity) &
Semiconductor Shipments: Rolling 3 Month Average: Worldwide
Source: CEIC; Mizuho


Integrated Circuits Prices (Foundry Wafer, TWD mn): Sharp Increase in Prices Reflects Demand.
Sources: CEIC, Mizuho


Memory Chip Price (USD/Unit): Price Effects Are Staggering! And perhaps Unsustainable.
Semiconductor Price: DDR4 8G
Semiconductor Price: NAND 128G
Sources:CEIC; Mizuho

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