

BUSINESS & FINANCIAL OVERVIEW

Asian stocks move lower Monday as markets react to failed U.S.-China trade talks in Washington

Shares were mostly lower in Asia on Monday after trade talks between the U.S. and China wrapped up Friday without an agreement.

Shares dropped more than 1% in Shanghai, to 2,909.60. Japan's Nikkei 225 index NIK, -0.72% lost 0.5% to 21,237.71 and the S&P ASX 200 SKJF, -3.15% declined 0.3% to 6,289.70. South Korea's Kospi SEU, -1.38% fell 0.7% to 2,093.46. Hong Kong's markets were closed for a holiday. Shares fell in Taiwan and most of Southeast Asia.

China's envoy to the trade talks, Vice Premier Liu He said before leaving Washington that Beijing would not compromise on matters of principle and that tariffs on Chinese exports to the U.S. should be lifted as a condition for striking a deal.

But Liu downplayed the level of tensions, saying China could cope with the challenges posed by the trade dispute.

President Donald Trump said on Twitter over the weekend that "We are right where we want to be with China." He accused China of "ripping off" America.

The Trump administration said it was preparing to expand 25% tariffs to another \$300 billion worth of Chinese goods, or practically all imports from China, after raising the import duty from 10%, with effect Friday.

The tariffs war has been hammering Chinese manufacturers and is an added drag on growth for the region.

"The lack of resolution in the latest U.S.-China trade talks coupled with continued provocative tweets from President Trump provides no relief for risk sentiment as we look to another weak start to the week for Asia markets," Jingyi Pan of IG said in a commentary.

On Friday, a late-day rally spurred by upbeat comments by U.S. officials pulled markets higher after an early slump triggered by the escalation in the trade war.

The S&P 500 index SPX, +0.37% rose 0.4% to 2,881.40. The broad index is still up 14.9% for the year. The Dow Jones Industrial Average DJIA, +0.44% also gained 0.4%, to 25,942.37. The Nasdaq COMP, +0.08% added 0.1% to 7,916.94, while the Russell 2000 RUT, +0.19% index of small company stocks picked up 0.2% to 1,572.99. Major indexes in Europe closed mostly higher.

Bond prices fell. The yield on the 10-year Treasury note TMUBMUSD10Y, -1.08% rose to 2.47% from 2.45% late Thursday.

The higher tariffs from the U.S. and China's response that it would take "necessary countermeasures" rattled investors Friday who had been hoping for a quick resolution to the dispute. Confidence in that outcome had eased investors' concerns this year, along with a more patient Federal Reserve and solid economic data.

"Further trade talks cannot remedy the sharply increased uncertainty over Chinese and regional growth," Mizuho Bank said in a report. "Meanwhile, the escalation in tariffs is also likely to undermine the global growth outlook [and] create more acute pressures on global equities," it said.

Energy: U.S. benchmark crude oil was flat at \$61.66 per barrel in electronic trading on the New York Mercantile Exchange. It lost 3 cents to \$61.70 on Friday. Brent crude, the international standard, gained 28 cents to \$70.90 per barrel.

