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Geopolitical impacts of the US-China trade war on energy industries

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Extended Abstract

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Abstract Summary

The emergence of geopolitical risks and consequences is far beyond everyone's expectation. Not only military wars, the trade wars can also become the fuse to incur geopolitical risks. In 2025, the US President Donald Trump started the trade war against China by launching a series of unprecedented actions as weapons to raise tariffs. This paper studies the reaction of Chinese stock markets to the trade war by examining different types of trade-war events. Through event studies on the companies from energy industries from Chinese markets, we find that the tariff weapons do not successfully beat down Chinese markets around a series of trade-war key events, but inversely cause instant upward bounces on stock returns and proportions of positive-return stocks. Moreover, the frequent revisions of tariffs do not produce large and broad stock-return declines in Chinese markets from a long-run perspective. As an implication, China's tariff retaliation offsets the impact of US tariff weapons and dominates the market.

Presenting Author Biography

Kun Li is currently Associate Professor of Finance at Business School, Beijing Normal University, China. His research area includes financial market, energy economics, and corporate governance.