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Time is very much on China's side, as the trade war continues to escalate

Who is blinking, if anyone?

Is it the equity markets, which have suffered a significant correction over the past few days? Is it Donald Trump, who has partially postponed his latest round of tariffs so as not to interfere with the US consumer's Christmas shopping later in the year?

Or is it the bond market, where an inverted yield curve on thirty year treasuries appears to be signalling recession even more clearly than the previous inversion on the ten year bonds?

Notably absent from this list is anything Chinese.

Yes, the Chinese currency has depreciated in value over the past week or two, and to some minds this constitutes a direct counter to the US imposition of tariffs. And yes, the growth rate of the Chinese economy is slowing to the point where it might not be too long before it looks comparable to all the world's other developed economy.

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But all told, the Chinese insouciance in the face of repeated barracking from Donald Trump speaks volumes. Maybe it's true that the US has finally woken up to the threat posed by this upstart superpower. But just because the US is now awake doesn't necessitate any change of behaviour on the part of their antagonists.

On the contrary, President Xi's government appears to be playing an excellent poker game. President Trump's loud claims that China would be buying significantly greater amounts of US farm products have been met with silence. And no buying.

President Trump's tariffs have been met with the currency devaluation, but little in the way of eagerness to resume talks. And President Trump's brash suggestions that President Xi should meet with Hong Kong protestors have been answered by the movement of significant military forces up to the border.

It's not hard to discern a pattern here. And indeed, President Trump himself, to some degree has recognised this. In recent tweets he's argued that the Chinese would much rather do business with a potential President from the Democrat Party than with him.

To a degree, this is no doubt true.

Democrat or Republican, the Chinese authorities know that American Presidents only have a limited period in office before their time is up. They can therefore afford to bide their time and wait out hostile Presidents in the hope that any new incumbent will be keen to press the reset button.

As it stands, that's not a bad stance to be taking. The global economy is already showing early signs of a coming recession, and if it hits hard before the US Presidential election in 2020 then President Trump's chances of re-election will drop, and not just because the economy is the number one issue with US voter, but also because he has made himself out to be some sort of supersized economic Mr Fixit.

True, Mr Trump has lined up Jay Powell at the Federal Reserve to take the blame for any economic aftershocks of the tariff war. But how much that blame game will really resonate with blue collar US voters isn't clear. After all, jobs and wage growth are their key measures, with interest rates of interest only when it comes to mortgages and credit cards. And these rates aren't set by Mr Power, or at least not directly.

So, what's Mr Trump's next move?

That's hard to say, and it's precisely because it is so hard that the markets have been weaker. He's now just about up to the limit on the tariffs he can impose, and at the moment control of monetary policy eludes him.

And even if he did have control of the decisions of the FOMC it's not clear that a full-blown currency war would actually stop the economic outlook worsening. One thing it would do, of course, is drive inflation and put up the prices of commodities, and in particular the ultimate safe haven, gold.

That process has already begun, and will only be exacerbated if Mr Trump gets his way.

As to what happens next, well, the Chinese have their own largely unrelated pressures in Hong Kong. But issues of civil unrest aside, time is definitely on China's side.