

## **Who are the winners and losers in a Trump trade war?**

If you plan on investing in China, keep in mind that possible outcomes are still speculative at this point given the mixed signals that we get every now and then. On the other hand, it seems that Russia's economy is on the rise regardless if it's Trump who won the elections or not.

There are market winners and there are market losers ever since Donald Trump won the elections. Even during his campaign, a lot of companies and even economies are already walking on egg shells because of the unpredictability of Donald Trump. Countries such as China and Russia are on the forefront of a potential trade war with Trump's US.

### **US and China**

Now that Trump is planning to heavily penalize imports and provide tax incentives for exports, this can hit China's labor force dependent economy.

During the campaign, Trump already targeted China for manipulating its currency, in order to move exports easier. By allowing the yuan to drop, it has led to an advantageous position for China to compete against US made goods. And in reaction to this, he threatened to come up with a 45% tariff on Chinese imported goods.

Trump even angered China recently stating that the US is not bound by the "One-China" policy which means that Trump's administration is looking to conduct trade agreements with Taiwan independently. Apparently, Trump, earlier this month received a call from Taiwan's President Tsai Ing-wen.

But should China be concerned? According to JP Morgan's Chief Asian and emerging market strategies, Adrian Mowat: "The China we invest in – is almost entirely domestic earnings. And so what we would think would happen, is if you did have a trade dispute, you would get more domestic stimulus".

Mowat further discussed that "That would actually be quite good for Chinese earnings, so perversely China looks more defensive in this environment than perhaps a Korea or a Taiwan, where more of the stock market is composed of exporters".

### **US and Russian Relations**

Experts are also looking at the possibility of Russia winning in the impending Trump-led trade war. Is it because of his praise for Vladimir Putin?

According to Mowat, regardless of Trump's win, the global economy has improved and even cited the rising purchasing managers' indexes (PMI). Given the improvements in profits, the markets are rotating into sectors such as consumer discretionary, financials and materials.

He also mentioned that: "Russia sits there as the cheapest emerging market on a forward price-to-earnings basis with a rising dividend yield. The index composition is dominated by financials and obviously by energy, so energy is our strongest call".

He further reiterated that: "It's also a relatively simple call because it doesn't seem to get caught up in this trade dispute which is much more about manufactured goods as opposed to commodities and energy."