An Outlook on Real Asset Investing in the Wake of Trump's Trade War with China

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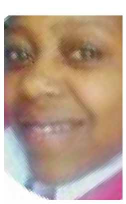

Financial markets in the United States have in recent weeks been experiencing a lot of volatility in the wake of the Trump trade war with China. After months of negotiations, talks between Beijing and Washington to avert an all-out trade war collapsed. The White House then moved to impose tariffs on Chinese goods worth over $300 Billion. The Chinese Central Bank in retaliation to the tariffs devalued the Yuan to nearly a ten year low.

The escalation was not good for the markets. Major US financial markets including the Dow, the S&P 500 and NASDAQ all reported losses. What followed after was days of volatility as US stocks went up and down. The White House is still confident that talks to avert further escalation could resume and China is ready to negotiate. However, even as the trade war presents an unprecedented risk for various assets classes, real assets could actually come out unscathed. Here is why:

Why Real Assets Will Remain Afloat In the Trade War

There is no single class of assets that is risk free. However, we believe that real assets could weather the headwinds of a US-China trade war better compared to liquid financial assets. The following factors explain why.

Economic Outlook Remains Steady Even With Trade War Risks

The US economic outlook is still looking steady despite the growing risk of an all-out trade war with China. Analysts expect the pace of growth in the US economy to remain steadfast albeit it may not be as robust as expected. Consumer spending will also remain steady as well. Analysts are also confident that the US labor market will maintain its healthy trajectory. Although there were fears of a possible recession after weeks of volatility in US markets, it seems like that storm has passed. All these factors seem to present a broader positive outlook on the US economy and this can only be good news for real asset investors.

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The Long-term Picture

Looking beyond the short term risks above, most global indicators are pointing towards increasing demand for real assets. For instance, the global population is already growing fast. This is pushing demand for energy, commodities, and infrastructure to a whole new level. We are also seeing steady growth in emerging markets. Per capital incomes are raising and a sizable population of the middle class is starting to emerge in these countries.

These factors will positively influence economic outlook in emerging economies, paving the way for greater investments in infrastructure, real estate, and other specialty assets. The pace of urbanization in these countries has also been rapid. As more and more people move to cities, we expect demand for infrastructure to rise.

There is also the small matter of revamping US infrastructure. Although the legislative framework needed to do that is still in the works, there is increasing confidence that a bipartisan agreement could be reached soon.

How to Invest in Real Assets

Real assets offer a steady stream of income and would be a good way to diversify your portfolio. The best way to invest in real assets is through a managed portfolio. The Brookfield Real Asset Income Fund gives you this opportunity. Click here to know more.