# 3 Ways to China-Proof Your Portfolio

## Description

The Chinese stock market continued its free-fall on Wednesday as the Shanghai Composite Index fell by another 5.9%. The authorities responded forcefully once again, suspending trading on over 70% of the listed companies. That seemed to stem the tide as Chinese stocks stopped plummeting later in the week.



But this has raised fresh concerns for investors around the world, even for those that don't hold any Chinese stocks. The fall in China's stock market is denting the net worth of Chinese institutions and citizens, which could easily be a headwind for investment and consumption. This could slow China's economy even further and this would be bad news for stocks around the world.

So, with that in mind, here are three ways to China-proof your portfolio.

**1. Sell your mining stocks**

This should be fairly obvious, and it's a strategy I've highlighted in previous articles. China is by far the world's largest consumer of practically every commodity, and the country's prospects are the most important determinant of commodity prices.

For example, China consumes about half of the world's total steel and 40% of the world's copper. So, if the Chinese economy fails to live up to expectations, demand will not meet supply and prices will fall.

That would be bad news for miners like **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK), **First Quantum Minerals Ltd.** (TSX:FM), and **Hudbay Minerals Inc.** (TSX:HBM)(NYSE:HBM).

**2. Sell your oil stocks**

China has also become the world's largest oil importer, so any disruptions could send oil prices plummeting.

Of course, there are plenty of other reasons to fear the oil market. American production has held up well, and its dollar is strong. The crisis in Greece could affect demand. And new supply from Iran could put further downward pressure on prices.

So, if you hold oil stocks like **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), **Canadian Natural Resources Ltd.** (TSX:CNQ)(NYSE:CNQ), or **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG), you may want to sell at least some of your stake.

**3. The one stock to buy instead**

It's fairly clear what you should sell. But one important question remains unanswered: what should you buy instead?

To answer, let's go back to the beginning of 2008. At that time, the financial crisis was about to crush the world economy as well as stock prices. One man who saw this coming was Prem Watsa of **Fairfax Financial Holdings Ltd.** (TSX:FFH). So, if you bought Fairfax at the beginning of 2008, you would have made about a 40% return that year, right when everyone else was getting hammered.

We're in a fairly similar situation right now. Mr. Watsa is very bearish on China and is betting against the country. You can be sure that if he's right, Fairfax's stock will outperform once again.

**CATEGORY**

1. Investing



**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:HBM (Hudbay Minerals Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. NYSE:VRN (Veren)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:FFH (Fairfax Financial Holdings Limited)
7. TSX:FM (First Quantum Minerals Ltd.)
8. TSX:HBM (Hudbay Minerals Inc.)
9. TSX:SU (Suncor Energy Inc.)
10. TSX:TECK.B (Teck Resources Limited)
11. TSX:VRN (Veren Inc.)

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