3 Global Threats to Your Portfolio This Year

Description

Last year turned out to be a great year for investors, but few expected it to turn out that way at the beginning.

Global stock markets climbed a towering wall of worry with threats such as Brexit and President Trump turning into surprise buying opportunities instead.

There will always be threats, and investors will always have to face them down. Here are the three biggest threats for 2017 and the opportunities they throw up.

Trump's trade war

You will have your own view of The Donald. Everybody does. Markets have taken a surprisingly positive view, pinning their hopes on "Trumpflation" boosting economic growth and driving share prices to fresh highs.

If his trillion-dollar reflation bonanza takes flight, then the construction, materials, and financial sectors should fly.

It would allow electronics behemoth **Apple Inc.** to repatriate hundreds of billions stashed overseas. **Google**, **Expedia,** and **TripAdviser** also have relatively large sums abroad in relation to their market value.

Oil giants such as **ExxonMobil** may benefit from his support for the fossil fuel industry, while defence stocks such as **Boeing** and **Lockheed Martin** may benefit from his militaristic stance, as could the U.K.'s **BAE Systems**.

The danger is that Trump will tweet the world into a global trade war and punish all of our portfolios.

President Le Pen

Not since the Battle of Waterloo has France had the ability to shape global stock markets, but it will do if Marine Le Pen is elected president in May.

It seems unlikely, and even though Brexit and Trump seemed unlikely, this seems *even unlikelier*.

However, if Le Pen does win and calls a referendum on E.U. membership, threatens to pull out of the euro, and introduces protectionist measures, we can expect a meltdown in the single currency and European stocks.

Perversely, this might prove positive for Brexit Britain, which most suddenly looks a little less lonesome. Unfortunately, it would probably drive up sterling, which might be bad for the FTSE 100.

The best opportunities may lie further afield in the U.S., where Trump will be laughing from a distance, and safe havens such as Japan. An exchange traded fund (ETF) tracking these regions may be your best bet.

I still reckon President Le Pen won’t happen. But these days, who knows?

Rising interest rates

The bull run of the last eight years has been driven by virtual money printing and low interest rates, but this era is coming to an end.

Not before time, if you ask me, but it will be a tougher world. The U.S. Federal Reserve is likely to lead the charge towards higher rates, and the resulting stronger dollar could squeeze emerging markets, particularly China.

It may deliver a boost to London-listed global companies with large dollar earnings, which will be worth even more when converted into sterling. This may include mining giants **Anglo American** and **Glencore**, equipment rental firm **Ashtead Group**, and plumbing and heating firm **Wolseley Group**.

Higher interest rates may also give a much-needed boost to the banking sector, allowing them to boost their net lending margins.

Every threat is an opportunity, just look at Brexit. The doom-mongers said it would be a disaster for the U.K., but the FTSE 100 surprised everybody by rebounding to new highs.

Still, it is early days, and the turbulence may return with a vengeance once Prime Minister Theresa May triggers Article 50.

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