1 Top Stock to Watch as the Trade War Deepens

Description

Across the world, stock markets dipped, as once again trade relations between the U.S. and China took a turn for the worse. Coming down on the side of the protesters in Hong Kong was never going to be an easy pose to strike from either a political or economic point of view. The reaction has been swift and could cement the trade war more firmly in place.

The Human Rights and Democracy Act calls for a yearly review to ascertain Hong Kong's autonomy. The mandated review will be used to gauge Hong Kong's special status with the United States. A second bill bans the supply to police of munitions to control Hong Kong protesters.

Another year of the trade war?

As the week began, investors were tentatively bullish. Surely, there were only so many times the boy could cry wolf. However, the positive sentiment was reversed by the end of the week when the Hong Kong bill was signed into effect by President Trump. China reacted swiftly, and the markets reacted swiftly, too.

Stoxx Europe 600 was down 0.2%, and the Shanghai Composite Index dropped in the region of 0.5%, while Dow Jones Industrial Average-linked futures also declined 0.2%. The FTSE 100 equity benchmark also dipped 0.5%. Broader economic implications saw Brent crude shed 0.3%.

It's a warning salvo in a trade war that could now only get bloodier, as both sides appear to dig in for the long haul. With American policy staunchly democratic and Beijing threatening countermeasures, the spat could be protracted. What happens on the markets over the coming weeks could depend in large part upon what China's next move might be.

One key stock Canadian investors should watch

Manulife-Sinochem, the first life insurance company joint-ventured between China and a foreign company, is often brought up in conversation when it turns to matters of the trade war. The Asian market brings in millions per quarter for **Manulife Financial** (TSX:MFC)(NYSEMFC), making it a key stock to watch for developments in the trade war. Despite the news, the stock is up 1.28% this week.

Given the spread of assets across the region, it's unlikely that Manulife will be materially impacted unless the trade war worsens by a considerable degree. Indeed, with a new investment push in the region, Canadian asset managers with an eye on China could even be in a position to lean into Sino-Canadian business.

Paying a dividend yield of 3.8%, Manulife stock is a low-risk, defensive, buy-and-hold option tailor made for the passive TFSA or retirement investor. The business retains a 33% market share in the Canadian insurance industry, making it a solid play for wide-moat sturdiness. Its diversification across wealth management products and financial protection also makes it a go-to stock for recession proofing.

The bottom line

The trade war between the U.S. and China has got to be one of the biggest stressors currently facing global markets, if not the most important one. With unrest in Hong Kong further complicating the issue, investors should expect an increased level of uncertainty over the coming weeks.

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Date
2025/09/10
Date Created
2019/12/01
Author

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