2 Top Trends to Invest $2,000 in Right Now

Description

The sketchy trade relationship between the United States and China aggravated after the Biden administration restricted the supply of advanced chips to China. The ban also extends to U.S. persons working in Chinese chip companies. This feud is over and above the oil and gas feud between Russia and western countries. Semiconductor manufacturing and oil trends have become the epicentre of global political tensions.

Top two trends of 2022

Policy-level changes can boost or destroy an entire industry. For instance, the clean energy bill boosted electric vehicle (EV) adoption. The sanctions on Russian oil and gas boosted oil prices.

The tech stock market might look gloomy, but there is a silver lining. Bans won't stop people's dependency on technology. They will shift the destination of the tech hub. For instance, **Micron Technology** and **TSMC** (Taiwan Semiconductor Company) are spending billions of dollars to build chip fabrication facilities in the United States. Another example is the Russian gas ban that made the United States the largest liquefied natural gas (LNG) exporter.

These trends are here to stay as they revamp the global supply chain.

Semiconductor trend

The semiconductor industry has been facing supply constraints since the pandemic lockdowns hampered production. Just when the chip shortage eased, Joe Biden reignited the trade war with China, restricting the supply of advanced chips and technology personnel. This will bring a blow to the stock market in the short-term as China is the largest market for many semiconductor, technology, and automotive companies. But this won't impact the secular tech trends of 5G, artificial intelligence (AI), and EVs.

What makes me confident about long-term growth? It comes down to the restructuring of the chip supply chain. Since the 2018 trade war, the number of Chinese companies on the Entity List, which restricts firms from importing U.S. goods without a license, quadrupled from 130 to 532. The United States even expanded the scope of U.S. goods to include non-U.S. items made using U.S. technology.

Despite these restrictions, semiconductor stocks surged due to the pandemic-driven PC boom, EV revolution, and crypto bubble. It will take three years to restructure the semiconductor supply chain. The CHIPS and Science Act of 2022 is investing US$54.2 billion in U.S. chip production. These policy-level changes could create pumped-up demand for chips in the medium-term and new opportunities for chip giants like **Intel** and Micron that are building chip facilities in the United States.

Investing in semiconductors

You can partake in the semiconductor trend by investing $1,000 in the **VanEck Semiconductor ETF** (NASDAQ:SMH). It's the only semiconductor ETF and has holdings in 78% U.S.-based and 11% Taiwan-based chip companies. Out of 25 holdings, TSMC and **Nvidia** account for 20%. The ETF provides exposure to the entire chip supply chain, from chip designers and manufacturers to semiconductor manufacturing equipment and materials.

It's currently down 44% year-to-date as the semiconductor industry was affected by supply constraints. But it has the potential to revive when the economy recovers. Here is a glimpse of the recovery that this ETF could experience; it rose 200% between the March 2020 dip to the December 2021 peak and 65% in 2019 after the 2018 U.S.-China trade war. You can invest in this U.S. ETF through your Tax-Free Savings Account (TFSA).

Oil and gas trend

The next big trend of 2022 is the return of oil and gas amid the global energy crisis. It took Western countries years to shut down oil production and move towards clean energy. Saudi Arabia blames the disincentivizing of oil and gas development for the current energy crisis.

The return on oil investments has had a negative impact on renewable energy stocks and a positive impact on oil stocks. So, if you're looking for short-term gains, oil and gas stocks are a good investment. But if you're looking for strong dividends and capital appreciation in the long-term, green energy stocks like **TransAlta Renewables** (TSX:RNW) are a good fit.

The world will continue to transition to greener, cleaner energy so TransAlta's future prospects and growth metrics remain intact. Its renewable energy-generating assets have long-term and regulated contracts capable of generating solid and predictable cash flows. So, the recent dip (a 31% year-to-date decline) provides an opportunity to buy the stock at a discount for its 5.37% dividend.

CATEGORY

1. Energy Stocks
2. Investing
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TICKERS GLOBAL

1. NASDAQ:SMH (VanEck Vectors ETF Trust - VanEck Vectors Semiconductor ETF)
2. TSX:RNW (TransAlta Renewables)

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