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Bull in a china shop

Watching the US president is very similar to watching a bull in a china shop.

Every country is holding on for dear life to its own chinaware as the Trump Bull wanders past their section. Maybe that's why there have not been too many breakages so far?

What the consequences of his policies will be is way beyond my pay grade! I do however know that power corrupts, and absolute power corrupts absolutely. So, I think it is only a matter of time before missteps due to hubris occur.

In the meantime, we watch with a mixture of horror and excitement.

Ukraine was the first casualty, as its president was "dressed down" at the Oval Office with the charm and diplomacy of a classic shakedown by a playground bully. It felt a bit unfair, as Ukraine has been bullied by the biggest playground tormentor, Putin, for the last three years.

Everyone in the playground suddenly realised they were not immune and rushed to either sycophancy or forming new alliances.

Europe and the UK, allies of Ukraine, realised they would probably have to stand up to Russia on their own. They rushed to find resources to fund an urgent increase in their defence budget, only to find their bonds under intense pressure because ... they haven't got any spare money, and the bond vigilantes know that the finances of both countries are on the ropes...

Who is right or wrong? Again, above my pay grade. It is however clear that the world order is being turned on its head, which will result in volatility.

Trump seems to be ushering in an era of competition, not cooperation. You either make dust or you bite it. You take no prisoners and if you can't take the heat, you get out of the kitchen.

The old era of cooperation at any price seems quite quaint in retrospect.

The consequences of these geopolitical shifts will be profound and the financial ramifications will be far-reaching.

Which asset classes will be affected?

Currencies seem to be on the frontline here, which is great news for those seeking protection, as currency hedges are quite cheap to implement at the moment.

Equities and commodity prices shrink as uncertainties grow, and bond yields rise.

The respective bond markets are probably the most protected, as governments cannot afford to have bond yields rise too precipitously.

As the analogy with the bull in the china shop alludes to, the probability of China being broken rises by the presence of the bull. That does not mean that it will definitely happen though.

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