

Trade War: Prepare for Volatility Ahead of G20 Now

Trade war tensions aren't likely to cool at the G20.

In fact, according to Commerce Secretary Wilbur Ross, the President is ready to proceed with tariffs on the remaining \$300 billion of Chinese goods.

"We will eventually make a deal," Ross told CNBC. "But if we don't, the president is perfectly happy with continuing the tariff movements that we've already announced, as well as imposing the new ones that he has temporarily suspended."

Ross is also downplaying the idea of any agreement being reached at the G20, June 28-29, noting the G20 is not a place "where you're going to negotiate a 2,500-page agreement. There may be an agreement on the path forward, but that's about as far as we can expect it to go."

Trade War Could Cost U.S. Economy \$1 Trillion

With trade war threats intensifying, D.C.'s most powerful business group is urging the President to end it already, saying tariffs could cost the U.S. economy up to \$1 trillion over a decade.

The U.S. Chamber of Commerce is calling for the immediate reversal of tariffs imposed and says proposed tariffs on a further \$300bn of Chinese imports would "dramatically expand the harm already done" to US consumers, workers and companies."

"Tariffs are hidden, regressive taxes that are being paid by US businesses and consumers," it says, referring back to the Smoot-Hawley Tariff Act of 1930 to warn that "unilateral tariff strategies have no record of historical success and have always led to unintended consequences."

But, that may not be enough for President Trump to back down from the trade war.

And it appears China isn't about to back down.

China's People's Daily is reporting the country could cut off rare earth minerals. "We advise the U.S. side not to underestimate the Chinese side's ability to safeguard its development rights and interests. Don't say we didn't warn you!" the People's Daily said in a commentary titled "United States, don't underestimate China's ability to strike back," as quoted by CNBC.

Should China cut off rare earth supply, it could be disastrous. Remember, rare earths are necessary to build and operate hybrid cars, 700 pounds of neodymium are needed to build a three-megawatt windmill, iPhones, medical devices, computers, and cell phones.

Also remember that China has the largest rare earth mining capacity in the world, especially after the U.S. pulled back from mining. That only increased our dependence on China's supply.

"China, as the dominant producer of rare earths, has shown in the past that it can use rare earths as a bargaining chip when it comes to multilateral negotiations," said George Bauk, Chief Executive Officer of Northern Minerals Ltd., as quoted by Bloomberg.

Unfortunately, none of this comes as a surprise, as the two warring economic superpowers go for the throat. And, as long as this continues we must be prepared for exceptional volatility, as we've noted in these pages. Some of the best ways to do so include:

- The iPath S&P 500 VIX Short-Term Futures ETN (VXX)
- The ProShares Ultra VIX Short-Term Futures (UVXY)
- The VelocityShares Daily 2x VIX Short-Term ETN (TVIX)