Trade War 2019: Four of the Best Trades to Make Now

Volatility is exploding. Investors are running.

And there doesn't seem to be an end in sight, as the trade war intensifies.

On September 1, 2019, the U.S. will be "putting a small additional tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our country," tweeted President Donald Trump. "We look forward to continuing our positive dialogue with China on a comprehensive Trade Deal, and feel that the future between our two countries will be a very bright one," he added.

That follows another round of failed talks between China and the U.S.

China then retaliated this week, halting all imports of U.S. agricultural products.

"The leverage that China has is its large agricultural purchases," said Darin Friedrichs, a senior analyst at INTL FC Stone's Asia commodities division, as quoted by Bloomberg. "This does affect U.S. farmers and the rural U.S. voting base that's normally in support of Donald Trump. If they hit back before the election, that's the obvious way to retaliate."

There's also fear China could choke rare earth supply to the U.S.

The last time the U.S. rattled the tariff cage, the China's People's Daily reported 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, 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.

Four of the Best Ways to Hedge Volatility

At the moment, the trade battle between the world's two largest economies has now dragged on for more than a year and a half. You may remember the U.S. shocked the markets in May after hiking tariffs to 25% from 10% on $200 billion in Chinese goods. China then retaliated and said a trade deal would not be reached unless the existing tariffs were cut. Now, should the 10% tariffs go into effect in September 2019, everything imported from China will be levied.

As things get worse, we believe the following investments could benefit the most.

Opportunity No. 1 – ProShares Ultra VIX Short-Term Futures ETF (UVXY)

As volatility ticks higher with the trade war, ETFs such as the UVXY could run even higher from a current low of $30 a share. The ETF was designed to match two times (2x) the daily performance of the S&P 500 VIX Short-Term Futures Index.

Opportunity No. 2 – VelocityShares Daily 2x VIX Short-Term ETN (TVIX)

The TVIX is another great way to trade elevated volatility. This ETF tracks an index of futures contracts on the S&P 500 VIX Short-Term Futures Index. As volatility ticks higher, the TVIX ticks higher.

Opportunity No. 3 – VanEck Vectors Rare Earth / Strategic Metals ETF (REMX)

Should China choke rare earth supply to the U.S., rare earth stocks, and the ETF are likely to explode higher. Remember, rare earths are necessary to build and operate hybrid cars, iPhones, medical devices, computers, and cell phones just to name a few. Also, remember that China has the largest rare earth mining capacity in the world.

Opportunity No. 4 – iPath S&P 500 VIX Short-Term Futures (VXX)

As volatility returns to the markets, one of the best ways to profit from volatility is with the VXX ETN, which provides exposure to the S&P 500 VIX Short-Term Futures Index Total Return. In simple terms, as volatility shoots higher, so does the VXX.