

Reyl assesses protectionist theme

Wealth manager Reyl Singapore has started to re-evaluate allocations as the world comes to terms with the unexpected US presidential election victory of Donald Trump.



During the 18 months on the campaign trail, Trump railed against global trade, pledging to slap tariffs on US imports and review or scrap trade agreements.

“In this new world, protectionism and nationalism are likely to be on the rise,” said Daryl Liew, a senior portfolio manager at Reyl Singapore, part of Geneva-based Reyl Group.

He added that there was now a clear preference for companies that were driven by domestic consumption rather than exports.

Vietnam setback

Liew said US Treasuries seemed less attractive now and a relatively recent allocation to Vietnam was already being reviewed.

Despite being a niche strategy, Liew said he had become more positive on Vietnam because its economy was recovering and increasingly low-cost manufacturing is moving over from China, where wages are rising.

“[Vietnam] has done quite well, but now there is an issue because of the Trump presidency and the implications this will have on the Trans-Pacific Partnership,” Liew said. “Vietnam was going

to be one of the major beneficiaries of the TPP.”

There was a consensus in Asia that protectionism would have gone up either way, regardless of who won the presidency, but Liew said the problem with Trump is that he is perceived as unpredictable.

“A lot of people in the financial industry are quite concerned about the wild card that Trump is,” he said. “We are concerned that if he is going to be like he was [on the campaign trail], then the world is going to be a different place.”

Liew also raised concerns over the feasibility of some of Trump’s campaign rhetoric, arguing that even if there was a government effort to bring manufacturing jobs back to the US, there are sectors where the US is simply not competitive.

In many parts of Asia, supply chain infrastructure is already established and labour costs for both workers and management are comparatively cheap.

Technology is a favourite sector among many investors in Asia because of its growth potential, and Liew said there was a possibility some of the most-sought after areas of manufacturing, such as robotics, would shift to the US. But there are limitations because American workers with the right skill set for such jobs are in short supply.

Robotics also does not create substantial manufacturing jobs, he added. “It is probably not feasible for those kind of businesses to move back to the US.”

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