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There's more than one side to any investment story

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In the second quarter of an already eventful year, investors are faced with a range of stark choices. The divergence in economic policy, driven by changing fortunes in the largest economic powerhouses are clearer to see than ever, but they are not all exactly what they first appear…

The US economy, which has been pulling away from its western counterparts, is getting back into rude health after a decade of recovering from the financial crisis. The strange part to note here, though, is that despite reporting sturdy economic growth, there is no underlying inflation – or at least not in the way that the Fed measures it.

Why does this matter? This apparent lack of inflation has changed the story we are seeing in the US. As the economy grew, we were expecting to see an end to the Fed's easing policy and the beginning of a tightening one.

In fact, not only do we now seem set to remain on this easing policy for some time, but actually, the Fed is watching and becoming increasingly worried because with no inflation, and economic growth possibly coming off the boil, it might have to embark on even looser policy measures, which is new territory for the world's largest economy.

As the US is on target to become a net exporter of oil next year, the slumping price-per-barrel has put a brake on inflation, but the main issue is the lack of wage growth. The US has productivity growth, however, and is therefore on a strong trajectory – and this also has political implications.

Voters will not argue with a strengthening economy and even if you believe President Trump has little to do with it, it does not seem too far-fetched for him to win a second term in office.

His tax cuts have been good for corporates and the wealthier part of the economy (we all know the trickle down doesn't work) and, on the whole, the economy seems to be functioning better than people expected.

It could be because of everything he has done, none of it, or even in spite of it – it does not matter. Politically, what matters is that we are on the wave of better-than-expected economic performance, which bodes well for Trump 2020.

There is one dark cloud on President Trump's horizon, however: China.

Views on the trade talks are split, but it seems there is will on both sides to edge for a deal.

If a deal does happen, it will be supportive of the US economy and therefore its stock market, which President Trump has pointed to as a key indicator. The interesting thing is that the Fed now seems to have acknowledged that stock market moves are in themselves important, which is not part of its mandate.

Its job is controlling price stability and employment, but it acknowledges that financial stability (which is code for "stock markets") is something investors look at. There has also been some unsubtle pressure from the Trump administration to help keep markets on the up and up.

So, assuming we get some kind of trade deal or at least some lessening of the current tensions, we should see this benign and ongoing growth environment continuing in the US.

On the other side of that deal, there is some slowdown in China, but we tend to forget that 6% is still a lot of growth.

And the idea of changing China from an export economy to a consumer economy overnight is nonsense. It always was going to take a long time. All the while, China continues to invest heavily in infrastructure projects and in both foreign diplomacy and resources. People underestimate the vast network it is building through the Belt and Road programme.

Some bears are concerned about the long-term effects of this government support in case a credit crunch ensues, and it could happen. But instead, I suspect the Chinese economy will chug along, and the slowdown will be less than people anticipate. That bodes well for the rest of the world and is especially beneficial for Europe, while growth is anaemic.

Like everywhere else in the world, Europe also has seen a widening gap between the top 10% who capture the wealth versus everyone else. Combine this with an economy that is barely growing, and you have a disproportionate amount of anger in the wider population – something you can see in France and Germany, and with elections in Italy and Spain.

That is why Europe is not really interested in Brexit other than how it can be corrosive to its political strength – and this is a key difference between the two sides. When the European Commission says it wants an orderly Brexit it does not mean it fears any economic consequences, it's because it generally does not like a disorderly structure to any kind of contract and treaty negotiation. I suspect if the UK unilaterally walked away, nothing would really change until it went back to get a new trade deal, but there the EU has red lines from which it will not back away.

As for the UK, the economy remains okay. Neither weak nor strong. The government is paralyzed and cannot get anything done. It has also not effectively legislated for three years. This raises an interesting question about the relevance of the government if the economy can trundle along without any legislation being passed. If it was a business, you would start considering making redundancies.

All this means is that as investors, we do not change our view: the long-term growth story of Asia remains intact – mainly focusing on China and India – and the US remains an attractive market selectively, if you are careful about the price you pay.

The main risk, however, is not Brexit, or China, or US inflation, it's about what the Extinction Rebellion and the school children who took to the street to protest climate change are telling us –and I find it fascinating from three perspectives.

The first one is that the government did not know at all how to deal with it. Ministers fumbled and dodged the issue until it all calmed down.

The second is how it reflects the intergenerational division that is beginning to form and is affecting the way investors allocate capital.

The third: it shows that a lack of ability to communicate between both sides of an argument is not unique to Brexit. There seems to be a breakdown in the ability to communicate across differences of opinion right across society. It is clear those who do not believe in the methods of the Extinction Rebellion and the school children could not communicate with them, even if they agree with their principles.

While political and economic waves and trends come and go, these three points are crucial for investors to consider. Those in power today will not be in it forever and change is already happening.

Pay attention to Trump 2020, the potential fallout of Brexit, and China's brake pedal, of course, but it is time to look at what is coming next – and listen to it as well.