



3 Stocks to Benefit From the Trump Effect

Description

Trump's surprise accession to the White House shocked many pundits. Many had predicted that a Trump victory would be bad for financial markets and the economy.

Nonetheless, since unveiling the key planks in his economic policy, which centre around fiscal stimulus, many analysts and economists believe that U.S. economic growth will accelerate once he assumes the presidency.

This has been incredibly positive for financial markets, causing the U.S. stock market to hit another record high. While it hasn't had such a profound effect on the TSX, there are three Canadian stocks that are well positioned to benefit from this proposed stimulus and stronger U.S. economic growth.

Now what?

One significant beneficiary will be Canada's second-largest bank by assets **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). It has established a sizeable presence south of the border that now sees it ranked as the 10th-largest U.S. bank.

Trump's policies on tax cuts, jobs growth, and higher wages will not only stimulate the U.S. economy, but they'll also cause domestic consumption to rise. It is likely that this will spark a sharp uptick in the demand for credit, which bodes well for increased lending revenue for banks operating in the U.S. This should drive higher U.S. earnings for Toronto-Dominion, which already generates almost a third of its net income south of the border.

A stronger U.S. economy will also cause the U.S. dollar to soar and lead to higher interest rates.

These factors are both positives for Toronto-Dominion's bottom line—especially higher interest rates—because they will boost the net interest margin for its U.S. business, making those operations more profitable.

Next is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), a pure-play global infrastructure company. It owns and operates a globally diversified portfolio of infrastructure assets with

a considerable portion located in the U.S. This means that any significant increase in economic activity will trigger greater demand for those assets, boosting the earnings that they generate.

More significantly, the majority of those assets are focused on energy distribution. If Trump delivers on his planned infrastructure investments, there will be a substantial increase in activity among energy-intensive industry, triggering even greater demand for Brookfield Infrastructure's U.S. assets.

The good news for Brookfield Infrastructure doesn't stop there.

It is widely believed that Trump's proposed US\$1 trillion investment in infrastructure is overly ambitious and could very well be beyond federal budgetary capacity. This opens the door for public-private partnerships, particularly when it is considered that the estimated U.S. infrastructure funding gap comes to US\$3.6 trillion.

When coupled with Brookfield Infrastructure's expertise, financial capacity, and already significant operational presence, it is more than capable of taking advantage of such an opportunity.

Finally, there is Canada's largest diversified miner **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK). It has already experienced a massive rally because of the surge in coking coal and metals prices, which sees it up by an unbelievable 512% for the year to date.

The rapid rise in commodity prices can be primarily attributed to greater demand from China, where there has been a significant increase in investment and construction activity because of Beijing's credit-fueled economic stimulus.

Even if China's latest construction boom proves to be unsustainable, as some analysts fear, Trump's planned infrastructure investment will help to support coking coal and metals prices. If that boom proves to be sustainable and supply remains incapable of meeting demand for coking coal and metals, then Trump's massive construction program will cause prices to surge even further, giving Teck's bottom line a healthy bump.

So what?

All three stocks are well positioned to benefit from the increasingly optimistic U.S. economic outlook that Trump's policies have created. As those policies translate into enhanced U.S. economic growth, each should experience a surge in earnings that will lead to higher stock prices.

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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:TECK (Teck Resources Limited)

4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:TD (The Toronto-Dominion Bank)
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