



3 Stocks to Ride the Export Wave

Description

The trade numbers for November are out, and the news is very good for Canada's exporters.

Posting the first trade surplus in more than two years, Canada's exports increased by 4.3% in November on the back of strong metal shipments and record exports to trading partners other than the United States. However, businesses exporting to the U.S., which accounts for 73.8% of our total exports, shouldn't despair; shipments south of the border increased by 2.5% in November, and our trade surplus with the U.S. grew by 32.6%.

While rising oil prices could push the Canadian dollar higher, I believe that the stocks of certain export-dominant businesses haven't benefited from the late-year rally on the markets.

I'd look for these three stocks to ride the export wave in 2017.

Winpak Ltd. ([TSX:WPK](#))

The Winnipeg-based packaging materials company's third-quarter net income increased by 9% on a very healthy 5.7% increase in revenue. That follows strong volume increases in the second quarter.

The news helped Winpak's stock deliver a 6% total return over the past three months. Unfortunately, it still couldn't match the performance of the S&P/TSX Composite Total Return Index, which generated a 7.4% total return in the same period.

Winpak generates approximately 88% of its revenue outside Canada with the lion's share from the U.S. Given the positive exports numbers for November, which — excluding energy products — were actually up 4.7%, this suggests further stock gains are in store for companies like Winpak.

Given its stock didn't move in 2016, I'd expect it to deliver double-digit returns in 2017.

Potash Corporation of Saskatchewan Inc. (TSX:POT)(NYSE:POT)

The world's largest potash producer by capacity had a rough go of it in 2016 as revenues and profits

collapsed, forcing it to cut its dividend on two occasions to save cash. Its stock now yields just 2.2% despite a 16.6% total return over the past three months, and most of that is the result of investor enthusiasm for its merger with **Agrium Inc.** (TSX:AGU)(NYSE:AGU).

While analysts are puzzled by this so-called merger of equals, it's hard to ignore the fact that potash exports increased by 38.3% in November on strong volumes to \$431 million.

Trading almost 50% below its five-year high of \$47.94 and still generating free cash flow despite the dramatic decline in revenues and profits, the November potash export numbers should remind investors that despite the four-year decline in prices, the future might not be nearly as bleak as the naysayers would have you believe.

If you're interested in reading a positive take on Potash stock, Fool.ca contributor Chris MacDonald did a good job in December [highlighting](#) the reasons for optimism.

Westshore Terminals Investment Corp. (TSX:WTE)

B.C. Billionaire Jim Pattison, the 10th richest Canadian according to *Canadian Business* magazine, owns almost 30% of the company's stock. Pattison didn't get to be worth \$5.7 billion by making silly bets. In fact, Pattison's been accumulating shares in recent months. Fool.ca contributor Nelson Smith [suggests](#) the billionaire acquired 2.1 million shares in the fourth quarter alone.

So, what does Pattison know that the rest of us don't?

Well, in a nutshell, more than 90% of Canada's coal is located in B.C. and Alberta. Westshore runs the coal storage and loading terminal in Robert's Bank, B.C., where most of that coal is shipped from.

This past year was a big bounce-back year for the company. After a 59.5% total return decline in 2015, it managed to deliver a total return to shareholders this past year of 127.7% — a complete 180-degree turnaround.

Despite the big run in 2016, I believe that more gains are in store over the next 12 months because the global demand for coal remains high. Furthermore, the November exports to China grew 11.1% to \$2 billion, most of it from coal.

Although only 14% of the coal shipped through Westshore's terminal is headed to China, this number can't be viewed any other way than positive.

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