



## These 2 Canadian Stocks Could See Triple-Digit Growth Thanks to Trump

### Description

While investors are often encouraged to focus on individual companies and their fundamentals, paying attention to the bigger macroeconomic picture and themes can provide a powerful edge. For example, the recent election of Donald Trump and expectations of his economic policy have not only ignited a 13% rally in the S&P 500 since early November, but in the TSX as well.

The massive stock market rallies were largely triggered by Trump's plans to reduce taxes, cut regulations, and implement a \$1 trillion infrastructure spending plan. These proposals will all speed up U.S. economic growth, which could be a positive for Canada if Trump's more protectionist trade policies don't go through.

While the window of opportunity to invest in names that benefit from the broad economic growth from Trump's agenda (like banks, for example) may have already passed, there are other aspects of Trump's economic plan that are creating opportunity in Canadian names that the market is not fully recognizing yet.

### **Crescent Point could benefit from talks over import taxes**

While Canadian energy stocks have loved the part of Trump's economic plan dealing with economic stimulus (better economic growth means better oil demand and more imports from Canada), they have intensely sold off recently over fears of trade protectionism from Trump. This is the other half of the Trump agenda that has investors frightened.

More specifically is the idea of a border adjustment tax, which a key part of the economic agenda and is the way that Republicans are hoping to pay for the massive tax cuts they are proposing. Such a tax would apply to U.S. companies importing foreign products and would hopefully force U.S. businesses to use domestic sources. Given that Canada sells the U.S. three million barrels of oil per day, this seems like a problem.

Major investors in **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) seemed to think so, as the stock sold off dramatically on the news. Fortunately, the risk of such a tax actually passing through the Senate seems low; numerous prominent Republican senators have come out against it.

Even if it were to pass the Senate, it is unlikely oil imports would be included, as such as a tax would raise gasoline prices for consumers. Higher gasoline prices would be extremely unpopular among voters.

This gives investors the chance to buy Crescent Point at a discount. The stock is down 20% from December highs and currently trades at a 25% discount to its peer group, making it a true bargain. This means Crescent Point could not only recover the value it lost from news of a border adjustment tax, but it also has gains to make to catch up to its peer-group valuation. This gives Crescent Point the potential to double if oil prices continue to move up.

### **Eldorado Gold is also set to gain from Trump's policies**

Gold has started off 2017 on a strong note, gaining almost 8% after recovering from 12% sell-off that followed Trump's election. Currently, strong conditions are in place for gold to continue rallying.

While Trump's election has created plenty of strength in the stock market, it has also caused stocks to rally to some of the most expensive valuations in history. This is good news for gold for several reasons. The higher stocks move, the higher the risk of a correction, and gold is seen as a safe-haven asset during sell-offs.

In addition, investors are starting to see the stock market as expensive and are seeking to diversify. With interest rates rising, bonds will be less popular as diversifiers (since bonds fall as rates rise). This leaves gold as an option. Investors have dramatically reduced their gold exposure over the past several years due to the historic bull market in stocks.

In early 2016, investors started piling back into gold, and it seems this is continuing. **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)) represents a good way to play this trend, since it remains undervalued compared to its peer group and has not participated in the recent gold rally to the same degree. This should lead to potential outperformance going forward and major upside as gold continues to rally.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:EGO (Eldorado Gold Corporation)
2. NYSE:VRN (Veren)
3. TSX:ELD (Eldorado Gold Corporation)
4. TSX:VRN (Veren Inc.)

### **PARTNER-FEEDS**

1. Msn
2. Newscred

3. Yahoo CA

**Category**

1. Investing

**Date**

2025/08/25

**Date Created**

2017/02/24

**Author**

amancini

default watermark

default watermark