



2 Canadian Stocks to Avoid if Trump Starts a Trade War

Description

Many pundits believe that Trump has started a trade war with Canada.

The Trump administration started attacking the Canadian dairy and softwood lumber industries in recent weeks, and there's reason to believe that Canadian auto parts makers could be hit hard with a border tax since Trump wants to "make America great again" by encouraging local manufacturing, which will create more American jobs.

Sure, the American economy will benefit from this, but is risking a trade war with Canada worth it? And what does this mean for Canadian investors who own shares of companies in the industries that were targeted by President Trump? Should you sell all your dairy, lumber, auto parts maker, and energy stocks immediately?

Not necessarily; it's way too early to tell what the implications of Trump's attacks will be. He may not even follow through with his attacks, but if he does, there will definitely be long-term headwinds for a lot of Canada's industries.

Here are two stocks that I think you should probably steer clear of at current levels because of the potential risks brought forth by President Trump.

Saputo Inc. ([TSX:SAP](#))

Saputo is the 10th-largest dairy processor in the world. It's quite expensive at a 25.3 price-to-earnings multiple, given that the company is a stalwart that has struggled to grow organically.

Trump has stated that the Canadian dairy farmers are being "very, very unfair" to its U.S. counterparts. It's not just Trump who supports Canada's "unfair" milk policy. Australia, New Zealand, Mexico, and the European Union all support Trump's criticism of the Canadian dairy industry.

Dairy processors like Saputo could get hit hard if Trump pushes for big changes in Canada's well-guarded dairy sector, and I wouldn't want to be left holding the stock if this happens.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#))

Magna International is an automotive manufacturer that makes various auto parts. The stock has been a huge laggard over the past few years. The 8.1 price-to-earnings multiple appears too good to be true, and it probably is considering the headwinds that are likely to be caused by Trump.

The Trump administration wants to keep auto parts manufacturing in the U.S., and this could mean foreign auto makers like Magna International could get dinged with a fat border tax when they export parts south of the border. The U.S. is a huge customer of Magna International, and a border tax could send shares a lot lower from current levels.

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