



1 Options Strategy to Consider With Canfor Corporation

Description

It's time for another options article on a company that has been in the news quite a bit of late: **Canfor Corporation** ([TSX:CFP](#)). Canfor is a Canadian softwood lumber producer currently taking centre stage as one of the interested parties in a cross-border dispute which has fully engrossed an entire industry.

The background

The Canadian softwood lumber industry, like many Canadian industries, is heavily reliant on U.S. exports. With the recent headwinds relating to NAFTA negotiations and the increasingly aggressive stance taken by the Trump Administration toward trade with Canada, investors have been on notice for some time about how any border taxes or duties/import tariffs would affect specific industries.

With the softwood lumber industry being a seemingly easy target due to an ongoing dispute between the two countries spanning decades, the U.S. Department of Commerce announced additional antidumping duties on large Canadian softwood lumber firms including Canfor of up to 7.72%. These antidumping duties come on top of previously announced countervailing duties which average nearly 20% for all large Canadian softwood lumber producers.

High-quality Canadian softwood lumber exports have fallen over the past year from 31% of gross U.S. softwood lumber purchases in 2016 to 27% in 2017. A decrease of 4% may not seem like a significant hit; however, taken in context with the additional duties tacked on by the U.S. government, it appears these headwinds are unlikely to blow over any time soon.

The trade

For enterprising investors looking for a way to trade this uncertainty, one avenue to consider would be going long put options with staggered dates going out a set period of time. For a trade that would likely encompass much of the news to come with Canfor, I suggest taking a look at the July 21, August 18, and October 20 puts with \$19 strike prices and respective breakeven points of \$18.55, \$18.25, and \$17.70.

With Canfor stock trading near a 52-week high, climbing from below \$14 in January, investors willing to invest a small amount of money on options that would pay out should Canfor experience a modest correction of 3.2% over the next month (slightly more for the longer-dated options) may be well compensated.

Bottom line

Investors who considered my previous [options trading article](#) would be very well off today, even considering the recent rebound in the share price of **Home Capital Group Inc.** ([TSX:HCG](#)). While options remain extremely risky, and high levels of risk remain with this trade, creating a long-term options trade by staggering options over time can be a very effective way of playing medium-term downside while limiting some of the downside risk related to options timing.

Stay Foolish, my friends.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CFP (Canfor Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/09/27

Date Created

2017/06/27

Author

chrismacdonald

default watermark