



Worried About Nuclear Conflict? Avoid This 1 Stock

Description

Much has been made of late surrounding the aggressive comments made by North Korea and the U.S., increasing global tensions relating to the possibility of nuclear war, given North Korea's continuously advancing nuclear program which has many nations around the world worried.

With tensions heating up, investors concerned about the increased risk associated with specific sectors may want to take a look at specific commodity sectors which could be seriously impacted should the current situation escalate any further.

In particular, investors should take a look at commodities such as iron ore, a commodity with 84% of global demand currently monopolized by only three countries: China, South Korea, and Japan.

Should a conflict indeed take place, companies dealing in iron ore will likely take a massive hit, as demand for the steel-making component is likely to dwindle due to reduced consumption in the three Asian nations.

One Canadian company that could potentially be impacted by such a scenario is **Labrador Iron Ore Royalty Corporation** ([TSX:LIF](#)), a company I have been bearish on for some time, for reasons that have nothing to do with geopolitics or a potential crisis on the horizon.

Looking past geopolitical concerns, iron ore has been beaten up for some time now due to a supply glut courtesy of increased production out of Brazil and Australia. The primary component used in making steel has long been touted an indicator of global economic performance. Generally, steel is an integral part of construction, used in a wide range of industries which track the strength of the global economy.

Since my most recent [article](#) in May, at which time the price of iron ore was hovering around \$60 per tonne, the commodity price has since rebounded toward the \$80 level, and Labrador Iron Ore's stock price has followed suit. This most recent run was due primarily to increased output from the three aforementioned Asian nations – something an investor interested in taking a position in this company should consider.

Bottom line

Labrador Iron Ore is just one company I suggest investors take caution with, as the newfound geopolitical global risks associated with owning a company so closely tied to North Korean neighbors continues to be outweighed by poor underlying fundamentals – fundamentals which may not improve significantly for some time to come.

In taking a long-term view of a company such as Labrador Iron Ore, it may be best for investors to look at other excellent long-term opportunities instead.

Stay Foolish, my friends.

CATEGORY

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TICKERS GLOBAL

1. TSX:LIF (Labrador Iron Ore Royalty Corporation)

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Date

2025/08/23

Date Created

2017/08/25

Author

chrismacdonald

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