



2 Stocks That Could See Increases in Demand as the U.S. Rebuilds From Hurricane Damage

Description

The U.S. has been hit hard this hurricane season with Harvey and Irma causing a lot of damage, and there could still be more on the way. Not only will people need to rebuild their lives, but infrastructure, homes, and buildings will need to be repaired as well. Sometimes the worst events in the world can create some of the biggest opportunities.

Similar to how a time of war can mean heightened employment and significant opportunities for industries in engineering and defence, so too can natural disasters create opportunities for construction companies and those that work closely with repair efforts.

I will take a look at two companies that are likely to see heightened levels of demand as the U.S. begins reconstruction.

Softwood lumber demand is likely to be up

A big driver of sales for companies in softwood lumber is U.S. housing and construction. In 2016, nearly 60% of **West Fraser Timber Co. Ltd.'s** (TSX:WFT) sales came from south of the border. With the reconstruction of homes and buildings that will come as a result of the hurricane-related damage in Texas and Florida, West Fraser will certainly see demand for its products increase.

Canfor Corporation ([TSX:CFP](#)) is another lumber producer that will see sales ramp up as well, although it is difficult to gauge if either company will stand to benefit more than the other at this point. However, Canfor recognizes the U.S. as being its largest market, and as that demand grows, so too will the company's top and bottom lines.

Impact on the softwood lumber dispute

What impact these disasters will have on the ongoing softwood lumber dispute will be interesting to see because if the U.S. continues to play hardball in negotiations, it may only increase the cost of the already expensive repairs that are going to have to happen south of the border. With significant costs already expected to rebuild the states hit by hurricanes, there will certainly be a lot of incentive for the

U.S. to bring down those costs as much as possible. One way to do that would be to allow Canadian lumber into the country at lower tariffs.

Possibility for growth outside North America

Although neither company has a significant amount of sales outside North America, the Caribbean islands were also hit hard by Irma and will also have significant repairs that need to take place. This could create an opportunity for Canfor and West Fraser to grow sales in these markets and be less reliant on U.S. demand, which in turn would give Canada some leverage in softwood lumber talks.

Domestic sales could grow as well

With the B.C. wildfires also causing significant damage to many homes on the west coast, demand in Canada is likely to be up as well.

Bottom line

Either one of these stocks could be good investments today, as both companies will see increases in demand in the coming months. Canfor and West Fraser have seen about 8% sales growth in the past fiscal year, but with an average profit margin of 5% in the past two years, West Fraser offers slightly better prospects than Canfor's 2% margin.

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2. TSX:WFG (West Fraser Timber Co. Ltd.)

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