



3 Stocks to Hold or Sell as NAFTA Negotiations Head Into 2018

Description

NAFTA negotiations are set to resume in Montreal in January 2018, as a number of sticky issues have kept the three countries far from resolution. In November, I'd [covered](#) ongoing NAFTA negotiations and asked whether or not investors should remain in a conservative position, as the fate of the agreement remains uncertain.

With the fate of the agreement up in the air heading into 2018, let's look at three stocks to hold or sell as we look ahead to what should be the last few rounds of negotiations.

Hold: Finning International Inc.

Finning International Inc. ([TSX:FTT](#)) is a Vancouver-based distributor of **Caterpillar Inc.** products and support services. Shares of Finning have increased 19.1% in 2017. Finning is unique in that it could actually stand to gain from the U.S. gearing towards protectionism and a focus on domestic manufacturing and construction.

The Trump administration has vowed to attempt to pass a massive infrastructure spending bill that could see construction and manufacturing activity soar in the United States. Companies like Caterpillar and Finning would be in great position as leading equipment suppliers for these industries.

Finning released its third-quarter results on November 7. Revenue increased 17% to \$1.55 billion and net income jumped 41% to \$52 million. The stock also offered a quarterly dividend of \$0.19 per share with a 2.4% dividend yield.

Sell: West Fraser Timber Co.

West Fraser Timber Co. (TSX:WFT) has declined 5.1% month over month as of close on December 21. In November, I'd [discussed](#) the final countervailing duties that were implemented by the U.S. Department of Commerce on Canadian softwood lumber. West Fraser Timber was ultimately hit with a 23.56% combined duty. Some industry experts believe the softwood lumber dispute could drag out for several years.

West Fraser released its third-quarter results on October 23. It reported sales of \$1.24 billion compared to \$1.15 billion in Q3 2016. Earnings also grew from \$107 million to \$120 million. The original countervailing duty of 24.12% imposed on April 28, 2017 resulted in a \$31 million expense in the third quarter and \$65 million year to date.

Canadian softwood lumber companies will be forced to adjust to what appears to be a “new normal,” which will dramatically increase expenses in the short to medium term.

Hold: Magna International Inc.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) has climbed 26.2% in 2017. The dispute over North American auto content has been one of the most contentious over the course of the ongoing negotiations. Magna International is in a uniquely good position, even in the unlikely event that Mexico and Canada agreed to the auto content demands coming from the U.S.

Magna International already produces 48% of its content in the United States, which would bring it within striking distance of the 50% threshold the Trump administration has demanded. The company is entering 2018 on a high note after record third-quarter sales. The stock also offers a quarterly dividend of \$0.35 per share, representing a 1.9% dividend yield.

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2. TSX:FTT (Finning International Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:WFG (West Fraser Timber Co. Ltd.)

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