



## 2 Canadian Ways to Play a Strengthening U.S. Economy

### Description

It's tough to be a Canadian investor these days. Our neighbours south of the border are [outperforming the TSX by a wide margin](#), and we're not even a month into 2018. To rub more salt to the wound, many Canadians are worried about the risk of President Trump's rip-up of NAFTA, which would be a gut punch to many businesses across the nation.

It seems like the U.S. and Canada are heading in opposite directions at this point in time. Corporate taxes and regulations are being slashed in the U.S., whereas over here, there's too much red tape that's hurting growth, and without a corporate tax cut of our own, Canada stands to be even less of an attractive place to invest for foreign and domestic investors alike.

If you're a Canadian investor who's frustrated with the performance of Canadian businesses of late, it can be tempting to throw in the towel on your Canadian stocks for U.S. ones, especially since the exchange rate isn't as ugly as it was over a year ago. But before you trade your loonies for greenbacks, you should take a step back and look at the bigger picture.

Sure, the TSX is one of the biggest global underperformers over the last year, but it's important to remember that in terms of value, Canada is a more attractive market than the U.S., especially after the recent January "melt-up" that the Canadian markets clearly didn't participate in. While it appears that you're missing out on a free lunch as a Canadian investor, many Canadian stocks are poised to benefit profoundly from a stronger U.S. economy, and best of all, these stocks don't have this tailwind baked in to the share price yet!

Consider **Alimentation Couche-Tard Inc.** (TSX:ATD.B) and **Boyd Group Income Fund** (TSX:BYD.UN), two stocks whose businesses are poised to profit big time from the strengthening of the Canadian economy.

In a [previous piece](#), I'd noted that Couche-Tard and Boyd have ~70% and ~80% of their sales arising from the U.S. Because both securities don't trade on the major U.S. exchanges, they've flown under the radar of bullish American investors. And because of that, you have the opportunity to benefit from a hot U.S. economy at a very modest Canadian price.

Couche-Tard and Boyd trade at forward P/E multiples of 16.9 and 26.5, respectively. That's may not seem super cheap; however, given the fact that each company is a high-growth, low-tech serial acquirer of smaller U.S. firms that are poised to ride the tailwind of a stronger U.S. economy, I think investors are getting substantially more long-term value than the price they'll pay today.

### Bottom line

Although it's increasingly likely that the TSX will underperform the S&P 500 yet again in 2018, there still exist huge opportunities on this side of the border. Such opportunities will directly benefit from U.S. tax reform and the strengthening of the U.S. economy, even though recent stock price movements may not be indicative of such.

Stay hungry. Stay Foolish.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing

### Tags

1. Editor's Choice

### Date

2025/08/19

### Date Created

2018/01/19

### Author

joefrenette

default watermark

default watermark