How Canadians Can Profit “Bigly” From the U.S. Market Melt-Up

Description

Ray Dalio, one of the smartest investors of our time, recently shed some light on his thoughts about the recent U.S. market melt-up and where he sees stocks going over the medium term.

“We are in this Goldilocks period right now. Inflation isn’t a problem. Growth is good, everything is pretty good with a big jolt of stimulation coming from changes in tax law,” said Dalio in an interview with *CNBC*. “If you’re holding cash, you’re going to feel pretty stupid.”

A billionaire investor that’s crushed the market time and time again is clearly bullish and sees the recent U.S. rally as a melt-up as an opportunity to profit “bigly” from Donald Trump’s agenda, which has lit a match under the S&P 500, Dow and NASDAQ indices.

Meanwhile, on this side of the border, we’re clouded in uncertainty and marijuana smoke. NAFTA negotiations are becoming the talk of the town, and the average Canadian investor is fearful over the affects that such a pullout will have on businesses that rely a great deal on cross-border trade.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) took a major hit on the chin. I believe this is one of the biggest opportunities in years for long-term investors seeking a wide-moat dividend-growth king at an absurdly attractive price. Donald Trump hasn’t ripped up NAFTA quite yet, but it appears that investors are expecting it to happen, even though there’s still hope that a deal can be reached. If NAFTA remains, CN Rail shares could rocket, and the sale would likely be over in an instant.

The S&P 500 has surged nearly 7% so far in 2018, while the TSX has fallen by 0.5%. That has got to be frustrating for Canadians, and I fear it may be causing a spike in the FOMO (fear of missing out) mentality of Canadians who may be tempted to dump their domestic stocks for “FAANG” stocks, pot stocks, or even Bitcoin.

While it certainly appears that the grass is greener on the other side of the border, I think Canadians should continue to stay the course with their Canadian core holdings, especially the ones that are poised to profit profoundly from America’s economic boom. If you lack exposure to the U.S., it can’t hurt to exchange some loonies for greenbacks today with the intention of buying an intriguing U.S.

stocks; however, I'd advise you not to make drastic changes to your portfolio by dumping everything Canadian, since I believe there's a lot more in terms of value on this side of the border (not including marijuana stocks).

Which Canadian stocks could experience delayed melt-ups of their own?

CN Rail, **Alimentation Couche-Tard Inc.** (TSX:ATD.B), and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are just a few names that are poised to benefit from the red-hot U.S. economy. And given they really haven't participated in the recent melt-up, I'd strongly urge investors to back up the truck before earnings dictate that the general public was wrong to exclude these stocks from the January melt-up rally.

Bottom line

It's very frustrating to see the U.S. markets soar, while the Canadian markets continue to lag. If you've neglected the U.S. portion of your portfolio, you're probably kicking yourself, but remember that it's not too late to profit from the Trump melt-up.

The U.S. markets appear to have hit an inflection point, and that's great news — not just for U.S. stocks, but for select Canadian stocks that are equipped to directly benefit from an extremely strong American economy. Sure, Trump's protectionist nature could dampen Canada's prospects; however, I think these fears are severely overblown. Now is not a time to fret over sub-par near-term returns; it's time to re-balance and focus on the long term.

Stay hungry. Stay Foolish.

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