

Put Your NAFTA Fears to Rest and Buy These Stocks Today

Description

Many Canadian investors are afraid of implications from a NAFTA fallout and, more recently, steel tariffs. There's no question that the Trump effect has been felt by the Canadian markets, but I think fears over a potential trade war are overblown, and as a result, the stocks of many high-quality companies have been crushed, offering compelling value to investors who are willing to go against the grain and be greedy at a time when most are fearful.

For Canadian investors, there's no shortage of things to worry about.

If it's not NAFTA, it's rising interest rates, Canada's frothy housing market, or Alberta's crippled oil patch. As a result, the **S&P/TSX Composite Index** (TSX:^GSPTSE) has not gone far over the just five years, returning a minuscule ~23% at the time of writing — substantially lower than that of the **S&P 500**, which has returned ~81% during the same time span.

With this in mind, there are many fantastic deals hiding in the underappreciated TSX; however, if you simply invested in the index, you'd [miss such deals](#) and would be left with a sub-par return for your five years of patience. So, you should go on the hunt for stocks that have been hit by NAFTA, since it appears that nobody (except Justin Trudeau) appears to be optimistic about reaching a fair deal.

Will Donald Trump rip up NAFTA?

Well, a few weeks ago, Canada was certain that such an occurrence might happen in spite of Justin Trudeau being confident that he could pull off a fair deal with the man behind the book *The Art of the Deal*. That means investors are bracing themselves for the worst-case scenario, whereby either NAFTA gets demolished or a sub-par deal is inked for Canadians.

I don't know about you, but most of the NAFTA news has a ridiculously gloomy tone. I smell the excessive pessimism from a mile away, and usually these are the best times to buy common stock that's been the most impacted.

Carlos Capistran, an economist at Merrill Lynch, isn't sharing the pessimism of the general public. He sees promising signs that may end up in a result that'll catch everybody off guard, potentially causing a rally in the TSX, as NAFTA fears are finally put to rest. That said, Mr. Capistran noted that a deal won't happen overnight.

If you're a long-term investor, a few months is nothing in the grander scheme of things. So, in the meantime, you should strongly consider picking up shares of [Canadian National Railway Company](#) (TSX:CNR)(NYSE:CNI) and [Saputo Inc.](#) (TSX:SAP), both of which have been punished as though NAFTA has already been ripped up by Donald Trump. I think both stocks could come out on top when all is said and done, despite the excessive amounts of pessimism that have knocked both stocks down by a substantial amount.

Both businesses are solid, and if you've got a long-term outlook, you'll see that NAFTA fears have caused a rare opportunity to pick up shares of such high-quality companies at a significant discount to their intrinsic values.

The U.S. market is frothy, and another mild valuation correction could be in the cards later in the year. But on this side of the border, there are ample opportunities that you can take advantage of today by being a contrarian.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

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1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:SAP (Saputo Inc.)

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Date

2025/07/17

Date Created

2018/02/28

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