



Canada Is Making a Last-Ditch Effort for an Exemption on Steel and Aluminum Tariffs: 3 Stocks to Watch

Description

Peter Navarro, the U.S. assistant to the president, director of Trade and Industrial Policy, and the director of the White House National Trade Council, appeared to telegraph in an interview on March 3 with *CNN* that no countries would be exempted from the new steel and aluminum tariffs. Commerce secretary Wilbur Ross also seemed to indicate that Trump is leaning towards no exemptions in an interview with *ABC*. This recent development signals a hardline protectionist turn for the Trump administration. It also comes in the weeks following [seemingly warmer](#) NAFTA negotiations, which may turn cold after this move.

According to recent reports, Canadian officials are lobbying the Trump White House very hard to be excluded. The Trump White House is divided on the issue. Gary Cohn, the director of the National Economic Council and chief economic advisor to President Trump, is reportedly bitterly opposed to the tariffs. Some major U.S. news outlets are reporting that he could be mulling a resignation.

The move also has the potential to cause a rift in the vast United Steelworkers union bureaucracy, which represents both U.S. and Canadian workers. United Steelworkers president Leo Gerard provided testimony that was included in the proposal from the U.S. Department of Commerce. In it, Gerard said he was “confident” that “Canada should not be named for either steel or aluminum.” It appears that this testimony may have gone unheeded.

In any case, Canadian steel and aluminum producers are now [facing new challenges](#). Tariffs on U.S. steel imports are projected to climb to 25%. Investors should expect a shaky Monday trading session for these stocks as markets digest the news.

Stelco Holdings Inc. ([TSX:STLC](#))

Stelco is a Hamilton-based steel company. The company has not produced steel out of Hamilton since 2011, but Stelco had opted to improve its steel-making infrastructure in Hamilton in early January. This led to speculation that the company could ramp up production in “Steel Town” once more.

Shares of Stelco dropped 3.9% over the past week as of close on March 2. The news weighed heavily on Stelco stock, which was unfortunate timing after the company had released its 2017 fourth-quarter and full-year results on February 21. In Q4, Stelco saw revenues surge 45% year over year to \$452 million, operating income increased to \$54 million, and the company announced a quarterly dividend of \$0.10 per share, representing a 1.6% dividend yield.

Tree Island Steel Ltd. ([TSX:TSL](#))

Tree Island is a Richmond, B.C.-based producer and supplier of steel wire and other products. Shares of Tree Island were down 2.1% week over week as of close on March 2. The company released its 2017 fourth-quarter and full-year results on February 22.

Revenues rose 18.9% year over year to \$54.6 million. For the full year, sales volumes increased to 180,485 tonnes compared to 175,232 tonnes in 2016. The stock also offers a modest dividend of \$0.02 per share, representing a 3.5% dividend yield.

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#))

Teck is a Vancouver-based mining company. Teck produces coal which is used in the steel industry. Shares of Teck were down 4.2% week over week as of close on March 2. The stock could also face short-term volatility if the Trump administration is not swayed by this late push by Canadian officials.

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Date

2025/08/23

Date Created

2018/03/05

Author

aocallaghan

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