A Weak Dollar and NAFTA Progress Is Good News for These 3 Stocks

Description

The Canadian dollar hit a 10-day high this week, as NAFTA negotiations are progressing well into the next round in April. The United States dropped its demand for auto content, which removes a key roadblock for Mexico and Canada going forward. It is difficult to put a date on a possible agreement, but negotiations are in the best place since they began last year.

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On March 22 the Canadian dollar was pushed down to $0.77, as global indexes fell in the wake of tariffs announced by the U.S. and Chinese governments. As the Canadian dollar hovers around 10-month lows, there are still solid plays on the TSX for investors that want to take advantage in a hectic trade environment.

Let's look at three stocks today that may fit the bill for your portfolio.

Alimentation Couche-Tard Inc. (TSX:ATD.B)

Couche-Tard is a Laval-based company that operates convenience stores around the world. Its stock has plunged 12.4% in 2018 as of close on March 22. Commenting on recent minimum wage hikes in Ontario, Couche-Tard leadership said that companies were responding rationally so far. The company released its third-quarter results on March 20.

Couche-Tard saw total merchandise and services revenue climb 25% to $3.8 billion in the third quarter. The company benefited from higher sales in the United States and Canadian dollar and euro weakness relative to the U.S. dollar. Profit ultimately missed analyst expectations due to higher acquisition costs and lower gasoline margins. The company also declared a quarterly dividend of $0.09 per share, representing a 0.6% dividend yield.

Stella-Jones Inc. (TSX:SJ)

Stella-Jones is a Quebec-based company that manufactures pressure-treated wood products. The bulk of its products are shipped to the United States, so it typically thrives with a low Canadian dollarrelative to the greenback. Stella-Jones stock has dropped 10.8% in 2018 thus far but is up 17.6% yearover year. Its sharp drop in early 2018 could present a buying opportunity.

Stella-Jones released its 2017 fourth-quarter and full-year results on March 14. In 2017, sales increased 2.6% to $1.89 billion, and net income grew 9.1% to $167.9 million. The company expects softer margins in the first half of 2018, but ultimately it projects sales and operating margins to pick up overall in comparison to 2017. Stella-Jones also declared a quarterly dividend of $0.12 per share, representing a 1% dividend yield.

Stelco Holdings Inc. (TSX:STLC)

Stelco is a Hamilton-based steel company. Stelco stock fell 3.4% on March 22, as the global stock market rout and concerns over a global trade war rattled investors. Shares hit an all-time high of $28 in early March after the U.S. announced Canada would be exempt from its steel tariffs. Canada remaining in the U.S. orbit is good news for Stelco going forward, and an agreement on auto content is encouraging, as the company has ambitions to forge a larger footprint in the auto sector. A low Canadian dollar has the potential to boost competitiveness going forward.

In the fourth quarter, Stelco saw revenues surge 45% year over year to $452 million, and adjusted EBITDA rose 245% to $69 million. The company also announced a quarterly dividend of $0.10 per share, representing a 0.54% dividend yield.

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