



Magna International Inc. and Linamar Corporation Just Got Great News

Description

On March 20, it was reported that the Trump administration had dropped its demand for 50% U.S. auto content. This came as a significant relief for negotiations and appears to pave the way for an agreement on NAFTA in the near future.

Indexes in the United States and Canada were rattled on March 22 after President Donald Trump instructed his trade representative to levy tariffs on approximately \$50 billion worth of Chinese imports. This move had been [telegraphed for some time](#), as the U.S. had launched an investigation into intellectual property rights seven months ago. It comes soon after President Trump signed in tariffs on steel and aluminum imports.

China has reportedly responded in kind, with plans to slap tariffs of \$3 billion in U.S. imports. As of this writing, Dow futures were down triple digits, and today promises to be yet another hectic day. The global trade war is rattling investors, with good reason.

Canada has, fortunately, remained well within the U.S. orbit, as trade tensions have heightened with dizzying speed. The country was exempted, along with other key allies, such as Mexico and Australia, and President Trump appeared to indicate that the exemption could be used as [leverage in NAFTA negotiations](#). The most recent move to dump its auto content demand will be celebrated by some key Canadian companies.

Linamar Corporation ([TSX:LNR](#)) stock spiked on the news, but fell 4.37% on March 22, as it fell victim to the market sell-off. Linamar is the second-largest automobile parts manufacturer in Canada.

From the beginning Linamar leadership appeared confident that the auto content demand would not get off the ground. Linamar would have been severely hindered by the move, as it possesses about a third of its business in the United States. The company released its 2017 fourth-quarter and full-year results on March 7.

In 2017, sales hit a record \$6.5 billion. Net earnings also reached a record \$551.5 million for fiscal 2017. Linamar announced a quarterly dividend of \$0.12 per share, representing a 0.6% dividend yield.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) stock briefly touched an all-time high of \$74.83 on the trading day after the news was announced. However, shares fell 5.4% on March 22, as it too was impacted by the global rout. It is the largest automobile parts manufacturer in Canada. Magna possessed a sizable footprint in the U.S., about 50% of its business, so although the stipulations may not have been catastrophic for Magna, the news was still welcome.

In 2017, Magna posted record sales of \$38.9 billion, which represented a 7% increase from 2016. Magna also reported record cash from operations of \$3.3 billion, and diluted earnings per share jumped 14% to another record — \$5.90. The company hiked its dividend 20% to \$0.33 per share, representing a 2.1% dividend yield.

Canadian officials were optimistic over the course of the week that a NAFTA deal is drawing closer. The next round of negotiations is set to be held in Washington in April. A deal reached in 2018 would serve to ease investor anxieties, as trade tensions heat up around the world.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/19

Date Created

2018/03/23

Author

aocallaghan

default watermark