

Trump Says NAFTA Deal “Close”: Is it Time to Buy These Steel Stocks?

Description

On April 9, U.S. president Donald Trump said that the U.S., Canada, and Mexico were “fairly close on NAFTA” and added that all three “have a chance to make a deal.” Mexican economy secretary Ildefonso Guajardo said there was an “80%” chance a deal in principle could be reached by early May. But Laura Dawson, director of the Canada Institute at Washington’s Wilson Center think tank, said last week that “the finish line is not even close on NAFTA.”

In March, the U.S. granted Canada an [exemption](#) from its 25% tariff on steel imports. However, the exemption came with a caveat courtesy of President Trump: make progress on NAFTA by May 1, [or else](#). The Canadian federal government has made clear in recent rhetoric that it intends to close ranks with the U.S. in its trade skirmish with China. Following a telephone call with Trump in late March, Prime Minister Justin Trudeau vowed to do more in clamping down on steel “dumping” going forward.

Investors were handed more good news late April 9, as Chinese president Xi Jinping vowed to open Chinese markets to foreign investors. U.S. futures shot up in response. With Canada and the U.S. moving closer on steel, NAFTA drawing close to a deal, and China easing trade tensions, investors may want to consider adding the following stocks in April.

Russel Metals Inc. ([TSX:RUS](#))

Russel Metals is a Mississauga-based metals distribution and processing company. Russel Metals stock has dropped 5.3% in 2018 as of close on April 9, though it reached nearly a four-year high in February, as the stock hit \$32.65. The company boasts a sizable U.S. footprint and stands to gain from increased metals prices at home and should also get a boost from recent tax reform.

In 2017, Russel Metals reported revenues of \$3.29 billion compared to \$2.57 billion in 2016. EBITDA rose to \$206 million from \$119 million, and net income almost doubled to \$124 million in comparison to \$63 million in the prior year. The company also delivered an annual dividend of \$1.52 per share, representing a 5.5% dividend yield.

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

Stelco is a Hamilton-based steel company. Shares of Stelco have plunged 20.9% month over month as of close on April 9. The company posted impressive fourth-quarter results, as revenue jumped 45% from Q4 2016 to \$452 million, and adjusted EBITDA soared 245% from the prior year. The company also announced a quarterly dividend of \$0.10 per share, representing a 0.6% dividend yield. The stock is trading at its lowest levels since late December, and it is a possible bargain ahead of a likely NAFTA resolution.

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

Tree Island is a Richmond-based producer and supplier of steel wire and products. Shares of Tree Island shot up 7.66% on April 9, which drove the stock at even levels for the year. In mid-March, Tree

Island announced a quarterly dividend of \$0.02 per share, representing a 3% dividend yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:RUS (Russel Metals)
2. TSX:STLC (Stelco Holdings Inc.)

PARTNER-FEEDS

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

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/16

Date Created

2018/04/10

Author

aocallaghan

default watermark

default watermark