Forget About Trade Worries and Buy These 3 Stocks

Description

On May 1, President Donald Trump announced that he would extend exemptions on steel and aluminum tariff for key U.S. allies, namely Mexico and Canada. When the exemption was initially announced, it became clear that the relief was being dangled as an incentive to speed up NAFTA negotiations. The increased pressure has certainly pushed negotiators closer, but a deal has yet to be completed.

Canada's minister of foreign affairs Chrystia Freeland said recently that there has been "meaningful" progress in the spring. Auto content continues to be a significant sticking point, with wages of Mexican auto workers emerging as a focus in recent discussions. Freeland has vowed that all three sides will continue to hammer away until a deal is reached in the near term.

Investors should not allow trade anxiety to drive them away from companies that have continued to thrive in a challenging environment. Let's look at three stocks that are still worth a look today.

Magna International Inc. (TSX:MG)(NYSE:MGA)

Magna is the largest auto parts manufacturer in Canada. The company faces a number of potential challenges if new auto content rules are implemented in a "modernized" NAFTA. However, recent numbers have been very encouraging. Magna released its first-quarter results on May 10

Magna reported record quarterly sales of $10.79 billion in Q1 2018, representing a 21% increase from the prior year. It also posted record diluted earnings per share of $1.83 and record cash from operating activities of $577 million. Magna stock climbed 4% week over week as of close on May 11, and shares have increased 13.4% in 2018 thus far.

Linamar Corp. (TSX:LNR)

Linamar is the second-largest auto parts manufacturer in Canada. Shares of Linamar have increased 1.5% in 2018 so far. Leadership at Linamar has continued to express confidence that its business will not be negatively impacted by newly adopted auto content rules. The most recent push would require at least 70% North American-made steel, aluminum, and glass, while also instituting a wage floor that would hinder Mexican manufacturing.

In the fourth quarter of 2017, Linamar posted record sales of $6.5 billion, representing a 14.5% increase year over year. Net earnings before unusual items and foreign exchange impacts jumped 11.8% to $551.5 million. The stock also offers a modest dividend of $0.12 per share, representing a 0.6% dividend yield.

Stelco Holdings Inc. (TSX:STLC)

Stelco is a Hamilton-based steel company. Speaker of the House Paul Ryan has said that if a NAFTA agreement is not reached by May 17, Congress will run out of time to vote on a deal. Canadian negotiators have said that they will not cede to pressure and rush to a deal. The threat of aluminum and steel tariffs being imposed remains a concern going forward.

Stelco released its first-quarter results on May 2. Revenue rose 25% year over year to $482 million, and operating income surged 58% to $57 million. The stock offers a dividend of $0.10 per share, representing a 0.4% dividend yield.

CATEGORY

1. Investing

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2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)
4. TSX:STLC (Stelco Holdings Inc.)

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