5 Stocks That Will Suffer the Most if Canada's Trade War With the U.S. Drags On

Description

In what has to be viewed as an unfortunate development for many Canadians, the Canada-U.S. trade war continues to drag on, and appears to be intensifying in recent days.

The latest in the ongoing saga had the U.S. president threatening that he is going to punish "the people of Canada" and "that's going to cost a lot of money for the people of Canada."

It doesn't sound good, does it?

Particularly if you happen to be involved as a shareholder, or otherwise, with one of the following five companies.

Following the initial round of tariffs laid on Canadian steel and aluminum imports into the U.S., the automotive sector is one of the industries up next on President Trump's chopping block.

That could very well end up posing an existential threat to the Canadian economy, some experts are saying, and would be particularly troublesome for auto manufacturers like **Magna International Inc.** (TSX:MG)(NYSE:MGA) and **Linamar Corporation** (TSX:LNR).

Both companies are heavily involved with exports to the U.S. markets, leading Trump to tweet recently that Canadian automobiles are "flooding the U.S. Market!"

When interviewed on television last weekend, Former premier of Quebec and deputy prime minister Jean Charest said, "On a day-to-day basis the Trump administration is confusion and chaos, but on the key issues he ran on … he has remained constant."

Charest also said that Trump "tends to follow through on the threats he makes," meaning that shareholders in the Canadian automakers are probably best advised to be on notice.

That could also spell trouble for **Martinrea International Inc.** (TSX:MRE), another auto parts manufacturer, which is considerably smaller than Magna and Linamar, with a market capitalization of just $1.34 billion.

In situations like this, it's sometimes the smaller players that end up feeling the brunt of it, and with Martinrea shares already having doubled over the past 18 months, it could just be that now is a good time for its shareholders to be taking some risk off the table.

Continuing with the trend of companies in Canada's auto sector, one has to wonder how auto dealership group **AutoCanada Inc.** (TSX:ACQ) would fare if the Trump administration does indeed go ahead with its proposed tariffs.

In a situation where Canadian auto exports are heavily taxed, the most likely outcome is for more automobiles to stay inside Canadian borders.

That could lead to an oversupply in Canadian inventories and could have an undesirable impact on AutoCanada's dealership margins, which are already razor thin to begin with.

Shots fired at Canada's supply-management system

Besides the auto industry, the other sector that is effectively being put on notice by the Trump administration is the Canadian agricultural sector, which has come under fire for its alleged protectionist policies.

Dairy processor **Saputo Inc.** (TSX:SAP) has operations in the United States in addition to Canada and Australia, but it stands to reason that its Canadian business could suffer if larger U.S. competitors were given access to the Canadian market.

Bottom line

Despite the luminous threats, Canadian politicians are pledging to work together and across party lines to protect Canadian industry and its workers.

It remains to be seen whether the latest proposed tariffs will end up becoming a reality, but for now, even the threat of an intensifying trade war is a very real thing, and Foolish investors ought to take the time to review their portfolios in light of recent events to see if there are any current holdings that need to be dealt with as a result.

CATEGORY

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TICKERS GLOBAL

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

5. TSX:MRE (Martinrea International Inc.)
6. TSX:SAP (Saputo Inc.)

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