



2 Potential Headwinds for Telecom Stocks for the Rest of 2018

Description

Telecom stocks have been under some pressure in 2018. Like utilities, telecoms have emerged as reliable income vehicles since the financial crisis and the historically low interest rates that followed. Now that the Bank of Canada has committed to a rate-tightening path some of these stocks have fallen out of favour.

BCE ([TSX:BCE](#))([NYSE:BCE](#)) stock has dropped 11.8% in 2018 as of close on September 11. Like other telecoms, BCE has posted huge growth in its wireless subscribers in consecutive quarters. **Telus** ([TSX:T](#))([NYSE:TU](#)) stock has climbed 1.8% in 2018 and has gained considerable momentum since mid-April. **Rogers** ([TSX:RCI.B](#))([NYSE:RCI](#)) has been a top performer and is up 6.6% so far in 2018.

Broader momentum since mid-April has carried the latter two stocks back into positive territory for the year. BCE has failed to pick up steam but remains an attractive target at its current price. However, investors should be aware of headwinds that could emerge in the coming weeks and months for Canadian telecoms. Let's look at two key possibilities today.

Pressure for new rules on sales tactics

Back in January, I'd [discussed pressure](#) from advocacy groups on the Canadian Radio-television and Telecommunications Commission (CRTC) to launch a review of telecom service providers. This was in response to complaints from employees and customers alike on the so-called pressure sales tactics that had been employed by providers. Rogers and BCE have been specifically named by employees in reports several months ago. The federal government ordered an official investigation from the CRTC in June.

Those voices have not gone away in recent months, but some of the named companies have countered with new information. Bell reported that only 0.05% of the 54 million calls made in the past year were escalated due to sales-related complaints. Rogers reported that only 0.004% of its 60 million calls led to complaints about sales tactics. These companies argue that the issue is small in scale and does not call for significant rule changes.

The CRTC is expected to hold public hearings on the issue in the fall, so a decision on a rule change is

probably not imminent. Telecom stock holders should monitor this development closely.

NAFTA negotiations could impact industry

[Tense trade negotiations](#) between the United States and Canada could also have an impact on telecoms going forward. Prime Minister Justin Trudeau has gone on record to say that the deal would be dropped if it did not include a cultural exemption clause. The exemption prohibits publishing, broadcasting, and media industries from being bought by American companies.

One of the demands from the U.S. delegation has been more access to the Canadian telecom market. Canadian telecoms own many of the top broadcasters, which could further complicate negotiations. In a sense, Trudeau's statement is a declaration that his government intends to protect Canada's telecoms from U.S. competition. A key deadline looms for Canada to inject itself into a deal by October 1, and the telecom industry is one of many that could see big changes if an agreement is made.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/07/03

Date Created

2018/09/12

Author

aocallaghan

default watermark