3 Canadian Stocks That Are Immune to Trump's Tariffs

Description

Since Donald Trump took office in January of 2017, the U.S. president has hit a number of countries with steep tariffs, especially on metals, solar power and washing machines. In some cases, the tariffs imposed by Trump have been as high as 50%.

And as one of America's largest trading partners, Canada has been among the countries hardest hit. Although the government has reportedly earned up to $300 million in retaliatory counter-tariffs, there's no doubt that Canadian companies have been harmed.

As part of the ongoing NAFTA re-negotiation, Trump has floated the idea of increasing tariffs even further.

This is the type of environment in which you want as little exposure to U.S. exports and imports as possible. The effect of tariffs and counter-tariffs is hard to gauge. But in general, companies that export to the U.S. will face increased costs from U.S. tariffs, while companies that import certain goods from the U.S. will face costs and/or lost sales from Canadian tariffs.

So it's best to invest in stocks that mainly focus on the domestic market OR avoid product categories that will be affected by tariffs.

And I've put together a list of three that fit the bill.

Shopify Inc. (TSX:SHOP)(NYSE:SHOP)

As one of the world's largest ecommerce companies, Shopify Inc certainly does business in the U.S. However, as a dotcom company, it's unlikely to be affected by tariffs. Trump's main tariffs have been on metals, solar panels and washing machines.

He has proposed, but not implemented, another tariff on cars. Shopify is not affected by any of the tariffs Trump has proposed thus far.

The company is also a strong growth stock, with 62% year-over-year revenue growth and a year-to-date return of 210%. Its lack of exposure to tariffs and strong growth metrics make it an excellent “tariff-safe pick.”

BCE Inc (TSX:BCE)(NYSE:BCE)

BCE Inc, better known as Bell, is one of Canada’s best known telecommunications companies. It provides telephone, internet and cable TV service in every Canadian province, but does not have any presence in the U.S. The company’s strong focus on the domestic market means that it is largely immune to tariffs from the U.S.

The company has many other things to recommend it as well. It has a strong dividend pick, with a juicy 5.74% yield. It’s priced relatively cheaply, with a 17% PE ratio. And it has delivered decent returns over the past five years (although is down over the 12-month and year-to-date time frames).

Loblaw Companies Ltd (TSX:L)

And last but not least, we have Loblaw.

Loblaw operates a number of supermarkets across Canada, often with different names (but identical product offerings and store layouts) in each province. In Ontario, the stores are generally called “Loblaws,” while in the Maritimes, they’re called Atlantic Superstore.

While Loblaw does export some food products to the U.S., it is mainly a domestic-focused company. Further, the types of products it does export have not been targeted by tariffs. Beyond that, Loblaw has some attractive features as a stock. Its shares have grown by a modest 54% over a five-year period.

It pays a dividend with a yield of about 1.73%. And it has a strong competitive position as Canada’s largest food retailer. Although the company has been hit with scandals recently, it remains one of Canada’s most profitable food companies.

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