



Rejoice! Tentative NAFTA Deal Reached: 3 Stocks That Could Gain in October

Description

On September 30, Canadian and U.S. negotiators managed to reach a trade agreement that will maintain a trilateral deal hours away from the midnight deadline. The news comes after a rough-and-tumble September that saw both sides exchange jabs in the media. There was some [degree of skepticism](#) as negotiators entered the final week. Reports indicate that President Trump wants the deal to be renamed USMCA — the U.S.-Mexico-Canada agreement.

The Canadian dollar immediately gained strength on the news. Details of the tentative agreement are trickling in after midnight, and more will become clear throughout the month of October. As investors celebrate the stability that will be offered by a new deal, it will not hurt to take a snapshot of some stocks that could be impacted by the new deal.

Let's look at three that could make moves on Monday on the news.

Magna International ([TSX:MG](#))([NYSE:MGA](#))

Magna stock fell 2.93% on September 28. When markets closed on the final trading day of September 2018, it still looked like a concrete deal was remote. There was concern that once the deadline was passed, the U.S. side would move quickly to impose auto tariffs that could deal [enormous damage](#) to the Canadian auto industry.

The U.S. has reportedly agreed to include an “accommodation” that will protect Canada’s auto industry if the Trump administration decides to move forward with tariffs on auto imports. As of this writing, it is unclear what the auto content requirements will look like, but Magna’s business was largely protected because of its sizable U.S. footprint. Magna has posted very positive earnings in successive quarters, and this deal will do well to secure its long-term outlook.

Canfor ([TSX:CFP](#))

Shares of Canfor fell 4.37% on September 28. The fate of the Chapter 19 mechanism was fiercely debated over the course of negotiations. Canada used this mechanism in the mid-2000s during a softwood lumber dispute with the U.S. Eventually a deal was made to settle the dispute. Canada again

used Chapter 19 in late 2017 in a bid to stop U.S. duties on softwood lumber that were implemented earlier last year.

Softwood lumber companies like Canfor have been forced to absorb huge costs after the duties were imposed. Fortunately, for Canfor and other softwood lumber companies, Canada has managed to keep the Chapter 19 mechanism intact. U.S. negotiators reportedly withdrew this demand in exchange for other key concessions.

Saputo ([TSX:SAP](#))

Saputo stock has dropped 11.9% over the past three months as of close on September 28. The fate of the supply management system has been one of the most contentious points and has ignited ferocious political debate in Canada. According to reports, the U.S. has won more access to the Canadian dairy market and Canada has agreed to end the “class-seven” milk program that served as a hurdle for American sales of a special dried-milk product.

The liberalization of the dairy market may not be welcomed by Canadian dairy farmers, who lobbied hard to keep the current system intact. Saputo, however, has long been in favour of easing the protectionist system to gain more access to international markets. Shares of Saputo have plunged double digits in 2018. This change could spur growth in the years to come.

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3. TSX:MG (Magna International Inc.)
4. TSX:SAP (Saputo Inc.)

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