2 Dividend Stocks Worth Holding for the Rest of 2018 and Beyond

Description

The news that a new North American trade deal had been reached, one that would include Canada, was met with enthusiasm to start the week. Leaders from the U.S. and Canadian sides praised the work that was done and hailed the agreement as a "win-win" going forward. The deal also included an "accommodation" for the Canadian and Mexican auto industries that appears to guarantee that they will not be targeted by U.S.-imposed auto tariffs.

Tariffs on steel and aluminum imports would also remain, as U.S. negotiators said that this was a separate negotiation. President Trump said in a press conference on October 1st that the tariffs would remain "so our steel industry is protected."

The U.S. has floated the institution of quotas, commenting that such a move would possibly lead to tariffs being lifted. Mexican officials expressed hope that the issue could be resolved before the agreement is ratified, which is expected to be sometime in November.

Back in late September I'd discussed why investors should consider the two metals stocks we will cover today. With the danger of auto tariffs now averted, these stocks could emerge as a more attractive hold today, even as steel tariffs remain in effect. Let's examine why.

Russel Metals (TSX:RUS)

Russel Metals stock shot up briefly on news of the agreement, but has since retreated. Shares fell 1.74% on October 2. The stock has dropped 0.8% year over year.

The Mississauga-based metals distribution company has greatly benefitted from tariffs due to higher prices over the past few months. This is something Russel Metals leadership had projected immediately after tariffs were announced.

Revenues surged to $978 million in the second quarter and net income doubled to $66 million from $33 million in Q2 2017. Earnings per share also grew to $1.07 from $0.52 in the prior year.

Revenues in its steel distributors segment fell 9% to $92 million due to lower volumes, but stronger selling prices propelled gross margins to 26.8% compared to 19% in the previous year. The board of directors also approved a quarterly dividend of $0.38 per share, representing an attractive 5.6% dividend yield.

Stelco Holdings (TSX:STLC)

Stelco stock also spiked on the news but fell 1.51% on October 2. Shares are now down 2.8% in 2018 so far. The company released its second-quarter results on July 31.

Revenue rose 67% year-over-year to $711 million, while operating income soared 544% to $161 million. Adjusted EBITDA surged 130% year-over-year to $175 million and steel shipping volumes were up 49% from the prior year.

The company credited higher steel prices as one of the core reasons its results received such a huge boost in the second quarter. Improved efficiency, a reduction in operating costs, and strong demand throughout North America were also key contributors.

Stelco offers a quarterly dividend of $0.10 per share, representing a modest 1.3% dividend yield. The stock is nearing its first full year of trading on the TSX and has been a solid performer since its initial public offering. The company should benefit from higher prices in the near term, but the industry as a whole will be hoping for a resolution before the year comes to an end.

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aocallaghan