3 Stocks to Own for Those Betting on the “Buy Canada” Trade

Description

The news that the United States and Canada had reached a breakthrough to pave the way for a new trade deal on the North American continent brought a flash of optimism in early October. That optimism would turn out to be short-lived, as stocks have suffered a global sell-off.

The cause of this weakness has been the subject of some debate, with most analysts agreeing that rising U.S. interest rates have hurt confidence and led to the dip. The ongoing U.S.-China trade war also threatens to curb global growth into the next decade.

On October 1 Bloomberg teased the idea of the “Buy Canada” trade. The outlook for Canada is certainly brighter after seemingly putting trade tensions with the United States to bed. This was especially crucial after the country had taken its lumps in 2018. Canada has experienced a troubling investment exodus, as tax reform south of the border is drawing potential business away.

A Bank of Canada poll conducted just before the tentative deal was reached reported considerable optimism among the country’s business leaders. “Building on an improvement in sales over the past 12 months, firms expect sales growth to increase further,” the report stated. The central bank is set to hold its next interest rate meeting on October 24.

For investors feeling optimistic about Canada heading into next year, let’s look at three stocks that could win big from increased activity.

Canada Goose (TSX:GOOS)(NYSE:GOOS)

Canada Goose stock has dropped 18.5% over the past three months as of close on October 17. The stock has slumped since reaching an all-time high of $91.50 in June. Canada Goose surpassed expectations during last year’s busy holiday season. The company is in a great position to build off its success and has plans to penetrate the lucrative Asian market in the coming years. Canada Goose is a growth stock worth considering in late October.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD Bank stock has plunged 5.2% over the past month. Given its performance and dominant domestic footprint, investors should consider this a buy-low opportunity. The bank will benefit from economic stability on the North American continent and boasts the largest U.S. footprint of any of its Canadian peers.

So far, increased interest rates in Canada and the United States have improved margins, while loan growth remains steady. TD Bank also offers a quarterly dividend of $0.67 per share, representing a 3.4% dividend yield.

Magna International (TSX:MG)(NYSE:MGA)

Magna stock has dropped 8.5% over the past month. The USMCA was particularly good news for the North American automotive industry. Canada's auto industry will now be shielded from any potential future US auto tariffs. Newfound stability will also be welcomed by Magna and its peers after trade negotiations put downward pressure on the stock for much of the spring and summer.

The company is expected to release its third-quarter results in early November. Magna posted record earnings in successive quarters and could be a sneaky buy-low candidate in October.

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3. NYSE:TD (The Toronto-Dominion Bank)
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