



3 More Stocks That Will Reel From U.S. Tariffs on Steel and Aluminum

Description

Despite reaching a new trade deal on NAFTA, punitive tariffs imposed on steel and aluminum imports remain between the U.S. and Canada.

In addition to surcharges that Canada is now levying on foreign imports in order to protect its domestic market, the result now is not only lower steel production, but also higher prices for consumers and businesses.

Several industries stand to be directly impacted by the punitive tariffs; [others not as much](#), but let's begin by taking a look at how higher steel prices will end up negatively impacting two of Canada's most beholden industrial companies, and another company from Canada's food and beverage sector.

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is an iconic Canadian company and the sixth largest constituents in the TSX Index with a market capitalization of over \$73 billion.

CNR stock is paying the company's shareholders 1.68% as of Wednesday's trading, but investors who are willing and able to exercise a little extra patience may be able to get the shares at a better price than where they are trading at present.

CNR's rail network consists of over 32,000 kilometres of route miles spanning across North America, including over 7,000 bridges that are owned and maintained by the company, over two million rail ties and over 600 miles of new track that has been installed within the past few years.

In case you aren't already there yourself, these assets are all steel-intensive, and with CNR planning to spend a record-high \$3.5 billion on capital investments this year, that timing probably couldn't be worse.

Admittedly, the company is dedicating a significant portion of the \$3.5 billion figure toward IT initiatives that it hopes will help drive improvements in efficiencies, and those expenditures probably won't be too affected by the latest tariffs.

Yet the majority will be.

And while CNR is in a solid financial position and should easily be able to accommodate those higher costs in the short-term, the reality is that increased expenditures today will inevitably drag down the company's operating performance for the remainder of their useful life.

That may be a factor that investors are overlooking for now; however, with CNR stock down 7.44% already in October, perhaps I'm underestimating the efficiency of the markets, but it's a threat to be on the lookout for and as good a reason as any to be looking at [other ideas](#) for the time being.

Bombardier, Inc. ([TSX:BBD.B](#)) meanwhile, is down even more in October.

BBD stock is down more than 30% so far and building from the theme of higher steel costs will negatively impact companies like CNR, it's probably a lot worse for a company like BBD.

Not only is Bombardiers business more directly tied to the manufacturing process, but its financial position is decidedly weaker than that of CNR's.

BBD stock has had a great run, but it looks like things could be cooling off at the Quebec-based industrial builder for now.

Unlike the first two companies, **Saputo Inc.** ([TSX:SAP](#)) stock is actually up 3.98% in October.

That increase could in part be due to how the dairy sector is expected to change as a result of the concessions Canada made as part of new NAFTA, but longer term, things do not exactly look great for Canada's agri-business sector.

Not only do commodity prices for things like corn, soybean, grains and livestock remain well below where they were a few years ago, but farmers need to buy equipment and spend to build buildings to support their businesses.

Steel is once again a large component of these purchases, and farmers and the agri-business sector at large may be about to feel some pain.

Saputo shares are already a bit on the rich side, trading at a forward price-to-earnings multiple of 22.2 times earnings and a dividend of just 1.65%.

Because of its dominant position in the Canadian dairy processing market, Saputo is still a fine long-term defensive holding, but there are probably more timely opportunities if you're willing to do a little looking around.

Fool on.

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Date

2025/07/01

Date Created

2018/10/28

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