China-U.S. Trade Talks: Should You Buy the Rumour?

Description

Trade discussions between the United States and China have heated up over the past month. Both nations are eager to put economic uncertainty to rest, but both are also unwilling to cede ground in key areas. Back in September 2018, I'd suggested stocks for investors who were looking to avoid any blowback from the trade spat.

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Recent reports now indicate that U.S. officials are preparing the final draft of a deal that President Trump and Chinese president Xi Jingping could sign in the coming weeks. However, there is still hot debate in U.S. ruling circles over whether to push China harder to make concessions. The U.S. has made progress in mitigating its trade balance deficit with Beijing, as China has vowed to spend over $1 trillion on American products going forward.

Technology remains a sticking point, one in which major China hawks see as key to moving forward on a deal. Demands include structural changes to China's state-driven economy, something Beijing has been unwilling to bend on.

So, should investors buy the rumour and bet on a deal in March? Here are two stocks that could benefit if there is a breakthrough this month.

Manulife Financial (TSX:MFC)(NYSE:MFC)

Manulife Financial stock has climbed 14.8% in 2019 as of early afternoon trading on March 1. The stock is still down 8.9% year over year. Manulife has relied on its Asia-based growth in recent years, as insurance and financial giants have looked to the burgeoning middle class in Asia as a key to success going forward.

In 2018, Manulife achieved a 19% increase in new business value to $1.1 billion. The company reported its ninth consecutive year of positive inflows, even in the face of major market volatility in the latter half of the previous year. Asia APE sales hit $4 billion for the year compared to $3.7 billion in the prior year.

Stability on the trade front will be a huge positive for Asia's growth heading into the next decade.

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

Canada Goose stock has climbed 25.6% in 2019 so far. Shares have bounced back nicely after suffering a sharp decline in December. The stock was hit hard after the arrest of Huawei executive Meng Wanzhou, as China threatened to boycott the Canadian winter clothing giant. The timing could not have been worse with Canada Goose planning to open its first brick-and-mortar store in Beijing that month.

Canada Goose boosted its outlook for its current fiscal year on the back of strong numbers, but shares dipped in mid-February on weak retail numbers in the United States. Canada has also experienced slumping retail numbers in the fourth quarter. Canada Goose has shown that it is committed to growth in China going forward. The company is set to establish an office in Greater China to "lead market developmental efforts."

The Meng Wanzhou affair has done little to deter Canada Goose in China. A trade deal would go a long way to easing tensions between North America and China, which should also ease investor anxiety about Canada Goose's prospects in mainland China going forward.

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