Play Your Trump Card With These 4 Stocks

Description

Not too many months ago. headlines proclaimed that trade in North America was at risk, and President Donald Trump had little good to say about the trade relationship between Canada and the United States.

Fast-forward to the present day and these troubles seem far behind us, yet NAFTA anxieties have left their mark on several stocks, thereby creating a number of intriguing opportunities.

Let's take a look at how you can play your very own Trump card and profit from a handful of undervalued stocks that are due to re-rate in the near future.

Shipping and Logistics

Most directly affected by trade rhetoric were companies that dealt in the movement of goods between Canada and the U.S. In this segment we will examine **Algoma Central Corp**. (TSX:ALC) and **Logistec Corp**. (TSX:LGT.A).

Small-cap Algoma operates shipping vessels that move dry and liquid materials throughout the Great Lakes. Increasingly, however, the company's business is diversifying to include short-sea and cement carrier segments which have meaningfully contributed to revenues.

Algoma sports a growing dividend and steadily improving free cash flow. Trading around 10% above its 52-week low and with attractive valuation metrics, investors in the company get a healthy balance of growth and value with a 3% dividend, to boot.

Logistec's business, by contrast, is concentrated in cargo handling facilities and environmental services. In 2018, the company made a couple of strategic acquisitions, which focused upon expanding its footprint in the U.S. Gulf Coast.

Also trading around 10% above its 52-week low, Logistec remains significantly more expensive on a relative basis than Algoma, as it is priced for stronger growth. Investors willing to pay a premium for the company's future potential will collect a yield of a little less than 1% in the meantime.

Automotive parts and suppliers

The auto industry in North America is highly integrated, as parts routinely move across the border for assembly into finished products. The two companies that we will investigate here are heavyweight **Magna International Inc.** (TSX:MG) (NYSE:MGA) and lesser-known **Exco Technologies Ltd.** (TSX:XTC).

When it comes to auto parts, $20-billion Magna is impossible to ignore. Geographically speaking, approximately half of the company's business relies upon North America and trade tension in its largest market weighed on the stock.

Now, Magna trades around 10% above its 52-week low at a price-to-earnings multiple of about 7 and a price-to-book ratio of nearly 1.5. With a consistently growing yield of roughly 3% and superb fundamentals, the company's shares deserve a second look.

Exco, on the other hand, is a small-cap manufacturer for the die-cast, extrusion, and auto markets. Like Magna, a large portion of the company's business relies upon industries in the North America.

In terms of valuation, Exco checks the same boxes as Magna, trading at inexpensive multiples and close to its 52-week low. The company offers dividend growth and currently yields almost 4%.

Bottom line

The aforementioned stocks have had their prices negatively affected by a series of circumstances that have largely resolved themselves at this point.

While cyclicality remains a concern in the sectors in which the companies discussed operate, these stocks have strong fundamentals and offer an attractive mix of growth, value, and income at their current valuations.

It might just be time to play your Trump card.

CATEGORY

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TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:ALC (ALGOMA CENTRAL)
3. TSX:LGT.A (Logistec)
4. TSX:MG (Magna International Inc.)
5. TSX:XTC (Exco Technologies Limited)

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