2 China-Sensitive Stocks That Are Getting Trumped!

Description

In a shocking move, President Trump threatened to hike Chinese tariffs despite prior commentary of trade talks that were reportedly "going well."

Asian markets imploded, with the **Shanghai Composite Index** leading the downward charge, plunging 5.5% on the news while the **S&P 500** and **TSX Indices** were barely scratched. Indeed, China is in a very tough spot right now given the recent market moves. If I were to guess, I'd say that it's looking like the U.S. is winning the trade war by a country mile, especially since the Fed may be more accommodating given the lack of inflation.

Just a few months ago, the North American markets were in turmoil over potential rate hikes, but now that the economy has slowed down considerably, it's looking like a couple of rate cuts could be in store to provide the economy with enough relief to endure further pain from the U.S.-China trade war.

If you're looking to scoop up a China-sensitive Canadian stock, there could be ample upside should a peaceful conclusion occur down the road. I think most of the damage has already been done, but in any case, consider the following two stocks:

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

Just when Manulife stock was starting to pick up traction, brewing Chinese tensions have caused the stock to take a few steps backward. As you may know, Manulife's Asian business is a huge source of high ROE growth. The company's wealth management division has seen impressive growth thanks to the continued rise of the middle-class across Asia.

With Asian markets getting pummelled on Trump's continued tariff threats, it's likely that Manulife could suffer a big blow to its Asian business as investors pull their wealth and flock back to cash.

Moreover, Manulife has been on a heck of a run since bottoming out in December. While still cheapand promising from a longer-term perspective, the stock looks poised to surrender a huge chunk of the gains posted this year.

The 4.1% dividend yield looks ripe for picking, but I'd take a rain check on Manulife until the yield swells past 4.5% as the U.S.-China trade spat looks to rattle Asian markets further.

Jamieson Wellness (TSX:JWEL)

The iconic Canadian vitamin manufacturer isn't overexposed to the Chinese market whatsoever, but it's still sensitive to news coming from China because the Chinese market is seen as a major source of long-term growth, as Jamieson is already a top foreign brand in China.

Jamieson got the green-light to bring its green-capped products into the Chinese market, and although there's little room for error with the company's foolproof expansion plan, further tensions between China and North America could have disastrous consequences for Jamieson's ambitious Chinese growth plan.

There's already enough yellow tape in the Chinese market as it is, but if China were to slap big tariffs or a potential ban on Canadian products as a result of Canada's involvement in the U.S.-China trade spat, Jamieson's growth thesis could go into the gutter.

Jamieson has had its fair share of missteps over the last few months, and as the Chinese economy continues going downhill, investors should expect Jamieson stock to follow suit. Jamieson shares are down 34% from the top, but should the trade war come to a conclusion, I expect a big pop in JWEL stock.

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2. Stocks for Beginners

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