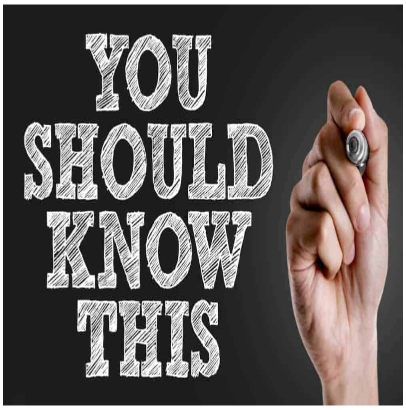

Here’s 1 Reason Lifted Metal Tariffs Haven’t Boosted Stocks Yet

Description

So the steel and aluminum tariffs have finally been lifted, yet the **TSX** index has barely shrugged in response – indeed, the metal and mining industry is down 3.3% this week and down 16.2% for the past year. While some pundits may have expected to see share prices of affected companies at least bob a little on the good news, the fact is that trashing the tariffs hasn’t had much of an effect on the market and likely won’t do for some time to come.

Why?

The simple answer can be found in company inventories. While the shelving of tariffs means good things for the rest of the year and beyond, many companies will still be sitting on goods and materials that would have been bought at the higher prices while the tariffs were in place. In other words, the losses caused by the imposition of those tariffs are going to be felt for some time yet to come.

Recovery in the metals sector could be a long time coming

Down 4.19% in the last five days, **Russel Metals** (TSX:RUS) hasn’t exactly rocketed on the lifting of the metals tariffs. Indeed, an average analyst rating gives the signal for this stock as a hold. While its one-year past earnings growth of 61.9% certainly speaks to a healthy stock, its estimated earnings growth rate is looking negative for the end of this fiscal year.

It would be a shame if Russel Metals couldn’t grow its earnings in the coming months given that the company has had a fairly robust few years on average; its five-year past earnings growth of 20.6%, beat the Canadian metals and mining average, while a past-year ROE of 22% showed impressive use of shareholders’ funds. For newcomers, undervaluation, as seen in a P/E of 6.5 times earnings, combined with a beefy dividend yield of 6.79% would be sound reasons for metal bulls to get invested.

Who else stands to benefit from the removal of the metal tariffs?

The agri industry has to be one of the most heavily dependent sectors on machinery, and as such stocks like **Saputo** (TSX:SAP) may eventually be indirectly buoyed by the scrapping of North American metal tariffs. Having lost 2.11% in the last five days at the time of writing, Saputo is about as sour as the rest of the market, however.

A major metals consumer, **Bombardier** (TSX:BBD.B) could see its stock rising on gentler winds in coming months. However, down 1.9% over the past five days, Bombardier is taking heavy damage along with pretty much the rest of the TSX index at the moment.

Good value for money and some decent growth prospects should win Bombardier a place on a Canadian's wish list. A trailing 12 month P/E of 9.6 times earnings paired with an estimated +50% annual growth in earnings give this stock a moderate to strong buy signal.

The bottom line

While companies continue to eat the losses they suffered during the period when the steel and aluminum tariffs were in place, share prices are unlikely to be widely affected for the better. There are likely to be a few quarterly reports before companies start working those losses out of their systems. Once they do, let's hope the economy is buoyant enough to add to any good news, rather than detract from it.

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1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

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2. TSX:RUS (Russel Metals)
3. TSX:SAP (Saputo Inc.)

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