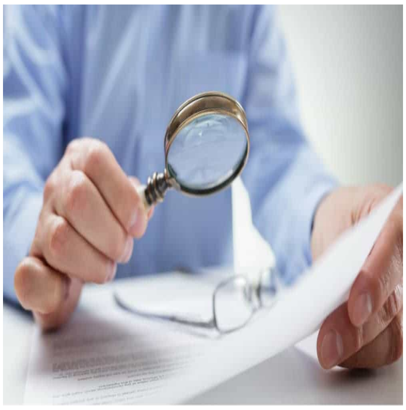

Superpower Trade Wars: Impact on Canada

Description

The United States and China are locked in a bitter fight over tariffs. These two global superpowers are so strong and widespread that their protracted trade war can impact the businesses and stock performance of many companies. Investors are still hoping for a resolution but are bracing for a backlash.

Huawei Technologies is in the centre of the storm. The U.S. views the Chinese tech giant as very dangerous from a security standpoint. American allies, including Canada, find themselves between a rock and a hard place.

They are expected to toe the line and ban Huawei too. But telecom companies need Huawei parts to upgrade networks. Canada will have to make a move soon and fast.

Caught in the crosshairs

Meanwhile, Canadian firms like **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) and **Manulife Financial** (TSX:MFC)(NYSE:MFC) might be or are already caught in the crosshairs. Investors can turn away and trigger a selloff. How serious is the threat to their respective businesses?

Canada Goose is riding high on the TSX after posting stellar 343% income growth last year. The stock has leaped-frog by 24% from a year ago and has remained in positive territory in 2019. No material price drop has occurred, and business is brisk as of this writing.

Manulife is having a great year, too. Total net income grew by 126% to $4.6 billion in 2018. The provider of long-term care insurance and other financial services are also showing a credible performance on the TSX. Manulife is 20% up year to date. The 4% dividend yield adds to the investors' liking of the stock.

Big business in China

Both Canada Goose and Manulife have forayed in the Asian region — specifically, the huge Chinese market. There could be repercussions in the form of a boycott. Beijing has exhorted the local populace to stop buying **Apple** smartphones and other products.

Being a U.S. ally, Canada Goose might be subjected to the same. Customers might heed the call and stop patronizing products sold in its newly opened store in the country's capital. But others would seize the opportunity to buy shares of the renowned Canadian brand on a dip.

Many investors love Manulife because it's a wealth builder. They see international expansion as the catalyst for further growth. The company is a household name in several Asian countries, and hopefully, the larger insurable Chinese population will be added to its customer base.

The $45.8 billion insurer has established key tie-ups and strategic partnerships with established financial institutions in Asia. However, with the intensifying trade quarrel, the business in China might produce only a mild success or none at all. There is no certainty to what extent of the government's reprisal.

Collateral damage

No one wants a trade war. The mess it would create is bad for business and investors. Unfortunately, Canada Goose and Manulife are collateral damage. The stocks remain dependable investments. Losing the business opportunities in China won't bring them down.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. NYSE:MFC (Manulife Financial Corporation)
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4. TSX:MFC (Manulife Financial Corporation)

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Date
2025/07/04
Date Created
2019/06/01

Author
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