Investors: This Canadian Stock Could Surge With a U.S.-China Trade Deal

Description

Trade war has been the hot financial topic of 2019. Between U.S. President Donald Trump slapping tariffs on billions of dollars worth of Chinese goods, the Chinese government allowing its currency to devalue, and seemingly endless trade talks that never end in a deal, the subject has been impossible to avoid.

To an extent, the concern is justified. Many companies depend on free trade to earn money, and the U.S. and China are two of the world's largest trading countries. Railway executives like **CN Railway**'s Ghislain Houle have reported that the trade war is hurting their earnings, as has **Berkshire Hathaway** 's Warren Buffett.

The past few months have seen signs indicating that the economy is slowing, and the trade war has likely played a role in this development. In such an environment, many stocks are practically begging for a trade deal to arrive.

One Canadian stock that fits that description is **Canada Goose Holdings Inc** (TSX:GOOS)(NYSE:GOOS).

On the surface, it might not look like Canada Goose has much to gain from a deal between the U.S. and China. The Goose is a Canadian company, and, so far, Canada has avoided any altercations like those our neighbour to the South is tangled up in.

However, Canada's economy is tied up with that of the U.S. in many ways, and ongoing tension between the U.S. and China could result in spillover effects on Canada.

We've already seen evidence of this on the diplomatic front. When Canadian authorities detained Meng Wanzou following pressure from the U.S., there was an immediate public outcry. One of the consequences was a push to boycott Canada Goose, organized by several users on the Chinese social media site Weibo.

Canada Goose is enormously popular in China, and any loss of goodwill could erode that popularity. One way to lose goodwill in China is to be seen as complicit in U.S. trade actions against the country.

We've already seen Chinese consumer backlash against Canada Goose stemming from a diplomatic rift; it's not a stretch to say that a trade rift could cause a similar reaction. That's a problem because China is one of Canada Goose's biggest markets.

Last year, as the Meng Wanzhou fiasco played out, Canada Goose shares lost 20% of their value. The close correlation between these two developments probably wasn't a coincidence. Investors know that China is a huge market for Canada Goose, and one that could get even bigger. The company has already opened a flagship store in Beijing, and locations in other cities are in the works. It's a promising development, but it all depends on a favourable trade environment.

The upshot of all this is that if a trade deal *is* reached, it will likely be a boon to Canada Goose. Canada Goose parkas are extremely popular in China; the risks to the company come mainly from potential boycotts, or tariffs against Canada. If a trade deal between the U.S. and China is reached, then those become less likely. Let's hope a deal arrives soon.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/07/06
Date Created
2019/10/24
Author
andrewbutton