



SNC-Lavalin (TSX:SNC) Soars on Trudeau Election Win

Description

Liberal Party Leader Justin Trudeau will remain prime minister in Canada for another term. After the election, **SNC-Lavalin** (TSX:SNC) shares rose 14% on Tuesday to \$20.35. The stock was still up to \$19.90 on Thursday.

Government connected corporations on the Toronto Stock Exchange tend to move actively along with changes in the political landscape. SNC-Lavalin is particularly sensitive to election outcomes as a large engineering firm with ties to the energy industry.

Canadian investors who want to earn substantial returns next year need to consider whether the stocks in their portfolio have the political pull to give their retirement a boost in 20 years. Also, with “ethical investing” taking off, Canadians need to consider whether these stocks align well with their personal beliefs — or put their initial investments at risk for volatility.

The company has a history dating as far back as the early 1990s of [bribing government officials](#) worldwide for political favours.

SNC-Lavalin affair

SNC-Lavalin began a quick slide down from around \$60 per share to approximately \$35 in February after the Court of Quebec charged the company’s former executive vice president, Normand Morin, with making criminal donations to the Canadian federal political parties.

In February, the scandal took off in the news media, sending the stock tumbling even further from around \$35 per share to its current level when the *Globe and Mail* reported on the scandal.

The article brought to light a request from Trudeau to the former Minister of Justice Jody Wilson-Raybould to approve a deferred prosecution agreement. Raybould later resigned due to a lack of ethical alignment with the prime minister’s office.

The deferred prosecution agreement would have granted amnesty to SNC-Lavalin as long as the

company fulfilled specified requirements.

Resignations

Much like the U.S. Trump administration, Trudeau has had significant staffing issues along with accusations of using his political power in unethical ways to advance the mission of private corporations. These resignations and accompanying accusations caused even more significant losses for shareholders on the TSX.

President of the Treasury Board Jane Philpott and Clerk of the Privy Council Michael Wernick were among the list of political figures who resigned after the affair.

As prime minister, Trudeau might create even more problems in the Canadian government and the stock market if he continues to make ethically dubious requests to Canadian government officials.

Foolish takeaway

[Election outcomes](#) indeed have significant impacts on the Canadian retirement portfolio. SNC-Lavalin has received a slight boost from the election. If the Liberal Party win proves to be beneficial for the struggling engineering firm, the stock may offer shareholders even more gains over the next five to 10 years.

Nevertheless, Canadians may want to consider whether this is too much of a gamble. Legal issues impacting stocks to this degree may do permanent damage to their returns. Some stocks never recover.

There is also a growing trend toward self-managed portfolios. Millennial investors especially want to pick their stocks carefully and promote an ethical investing mindset. Canadian investors should take this into account when considering whether or not to invest in politically volatile stocks like SNC-Lavalin.

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