The Number 1 Political Issue Threatening Your 5G Stocks!

Description

The Canadian government is still reflecting on its policy stance toward the **Huawei** 5G ban. The Huawei controversy poses many benefits and risks to telecom and technology stocks in your portfolio.

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Every Canadian should own stock in the big telecom stocks – which means you need to know how the Huawei security issue impacts your retirement savings.

The primary beneficiaries of the distrust toward Chinese electronic inputs are Canadian tech stocks. Canada is in an excellent position to build competitive technology companies to fill the gap in supply from a Huawei ban in the U.S. and elsewhere.

The reduction in competition means growing margins and higher capital gains on TSX technology stocks, which cater to the 5G transition. Your Tax-Free Savings Account and Registered Retirement Savings Plan will likely benefit regardless, but these wins will augment that profit substantially.

CSIS and CSE reviewing cybersecurity risk of Huawei

The primary drawback of a Huawei ban is the effect it would have on existing 5G infrastructure costs. If the Canadian Security Intelligence Service (CSIS) and the Communications Security Establishment (CSE) determine that telecom companies should replace Huawei equipment in their cybersecurity review, Canadian telecoms and consumers will experience economic costs.

CSIS supports additional testing and equipment monitoring versus an outright replacement, while the CSE advocates for a ban on all Huawei electronics. Depending on what these organizations decide, **BCE** (TSX:BCE)(NYSE:BCE), **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), and **Telus** (TSX:T)(NYSE:TU) may need to replace expensive electronics equipment.

Equipment replacement may harm 5G rollout timeline

With the 2020 5G rollout just around the corner, the labour and time required would potentially harm the deadline on a project estimated to increase GDP by $40 billion by 2026. It would also cost the telecom companies billions at a time when they are already upset about recent CRTC decisions to lower wholesale fees.

BCE, Rogers, and Telus all report high profit margins of greater than 10%, but the equipment replacement would still negatively affect their stock prices. Telecommunications shareholders would see the added cost as a drag on returns and may decide to sell on lower projected cash flow valuations.

The resulting capital losses would be unfortunate for many 5G investors who have been betting on a significant rise in share prices from the new technology.

Foolish takeaway

Canadian investors can't go wrong with a long-term investment in Canada's telecommunication stocks. BCE, Rogers, and Telus control 90% of the wireless market in Canada. Because they share such durable power over the market, these stocks are just going to appreciate over the next 20 years.

That being said, the Huawei controversy will create more short-term volatility than long-term effects on your retirement portfolio. A relatively lower long-term influence does not mean that the billion-dollar equipment replacement wouldn't have long-term impacts on shareholder value.

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It will, but time will diminish the influence of the additional costs. Moreover, a billion-dollar loss diluted over 20 years is no reason to sell your investments in these great dividend payers.

Aspiring Canadian retirees should use this knowledge to time future investment in these reputable stocks. BCE, Rogers, and Telus stocks are bound to hit some speedbumps. When they do, Canadians should snap up new positions to profit on the subsequent upside.

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