



Here's What the Johnson Win Means for Canadian Stocks

Description

The start of the week was full of uncertainty for North American markets: gold dipped, while U.S. crude slipped by a quarter of a percent. The euro was also rising against the U.S. dollar, buoyed by a German rally and early signs that Boris Johnson was going to lead his Conservative government to victory.

As it turned out, the Tories won by a wide margin, indicating the public's appetite for a divorce from the European economic bloc. North Americans should take note, though, that Labour's loss under Jeremy Corbyn could reflect on the upcoming U.S. 2020 election, potentially increasing centrist sentiment and reducing the likelihood of the Democrats running an overtly left-leaning candidate.

Brexit is still on, meanwhile, and slated for January 31. At that date, the U.K. will leave the E.U., with or without a deal. Investors are largely bullish on Brexit, and the pound jumped immediately, as the exit polls predicted an early win for Johnson's Conservative Party. Canadians might expect more of the same in the event that the U.K. can be steered smoothly out of the E.U. in just over six weeks' time.

What to buy ahead of Brexit

With the necessity for fresh trade deals between the U.K. and the rest of the world, such as a new agreement between Britain and the U.S., investors may find themselves swept up in a [wave of renewed bullishness](#). Indeed, with Brexit now charging ahead as well as reduced tension in the U.S.-China trade war, much of the week's early uncertainty is now gone.

With gold and autos among the biggest trade themes between Canada and the U.K., domestic investors may see upside in miners of base and precious metals and manufacturers of vehicles and vehicle parts. Stocks like **Wesdome** are already seeing positive movements this week, with the gold miner hitting a 52-week high. **Uni-Select** is also likely to do well if Johnson can steer the U.K. smoothly out of the E.U.

A new era of trade is on the way, one way or another, with the possibility of a rebooted take on proposed economic bloc encompassing Canada, New Zealand, Australia, and the United Kingdom. Redrawing the global economic borders, the prospect of free travel could even arise, creating a new

international financial zone that unites some of the biggest Anglophone powerhouses in the Commonwealth.

Magna International is also a good all-rounder here, with [access to several strong trends](#) such as the electric vehicle boom, growth in markets in China, the new USMCA deal that favours the auto trade, the *de facto* end of the Sino-American trade war, and tailwinds from a positive Brexit breakthrough. It's defensively large, geographically diversified, and pays a 2.65% yield.

The bottom line

With a clear majority, the possibility of a messy exit from the European bloc is now reduced, and that should keep markets buoyed somewhat. Predictions that a Labour win could have wiped billions from the markets may not have been too far from the truth, so Canadians might expect a relief rally ahead of Brexit in shares with European or British connections such as auto manufacturers, certain REITs, and some commodities.

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