2 Canadian Stocks That Benefit From the U.S.-China Trade Deal

Description

China and the United States have reached a so-called phase one trade deal that includes some tariff relief and agriculture product purchases. In the grand scheme of things, this deal has little impact on the overall trade imbalances between the two nations, but it is an indication that the conflict could be getting closer to a complete resolution next year.

A resolution of this bitter trade war between Canada's two largest trading partners will have an immediate impact on Canadian companies. I believe investors should monitor two stocks that could see tremendous benefits from such a resolution.

CN Rail

Earlier this year, **Canadian National Railway's** (TSX:CNR)(NYSE:CNI) chief financial officer Ghislain Houle blamed lower volumes on the ongoing trade war. CN Rail owns and manages the largest portion of Canada's railway system, making it an integral part of this export-oriented economy.

The company has had a tough year, with global growth slowing down, an employee strike last month, and the trade war all denting the top and bottom lines. Revenue tonne miles, a key industry metric, has been either flat or negative for much of this year. Unsurprisingly, the company's stock has also been either flat or negative for much of this year.

Next year could be very different. A resolution of the U.S.-China trade war along with the implementation of the United States-Mexico-Canada Agreement (USMCA) could spur higher volumes and better profits.

If you're optimistic about Canada's economy and global trade heading into 2020, Canadian National should be on the top of your watch list for next year.

Canada Goose

U.S.-China trade tensions had a severe impact on **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) shares this year. Not only is the luxury winter wear brand immensely popular in China, but sales in the region have become the cornerstone of the company’s growth strategy in recent years.

Like any other aspirational luxury brand, Canada Goose relies heavily on the Chinese consumer. According to Bain & Company, Chinese shopping of luxury goods represents over 33% of the global market already, and the growth is in double digits every single year. In other words, the fate of any company with double-digit profit margins and a direct-to-consumer product hinges on demand from the Asian giant.

A resolution of the trade war could simmer down political tensions between all three countries, eventually allowing Canada Goose to further expand in this critical market. That could send its top-line growth rate and stock price back to 2018 highs.

Bottom line

“When elephants fight, it is the grass that suffers,” says an ancient African proverb. In this case, Canada has suffered immense economic and political hardship since the trade war kicked off. The exchange of tariffs between our two largest trading partners has had a knock-on effect on several Canadian corporations.

Now, it seems the dust might be settling and the conflict could be resolved. Now, stocks like Canadian National Railway and Canada Goose can finally regain some of their lost value. Investors optimistic about global trade and U.S.-China relations should add these two to their watch list.

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