3 Stocks to Buy Ahead of U.S.-China Trade Deal

Description

In the final week of 2019, United States president Donald Trump gave a tentative date of January 15 for the signing of phase one of the U.S.-China trade deal. Critics have pointed to a lack of substance in the agreement. Both sides are hungry for an armistice, and some of the stickier points, like technology, have failed to generate any significant breakthroughs.

Last year, I'd discussed how worsening relations between the world's foremost economics powers could negatively impact some TSX-listed stocks. Today, I want to look at three stocks that may benefit from a trade deal in the near term, however limited it is.

Maple Leaf Foods

China is the largest consumer of pork on the planet. In June 2019, China halted the importation of Canadian beef and pork, saying that some Canadian meat had tested positive for ractopamine, an additive that is banned in China. This suspension came to an end in November 2019 and China has now agreed to allow Canadian meat products in the country.

This is good news for **Maple Leaf Foods** (TSX:MFI). Its stock has dropped 14.5% over the past three months as of close on January 8. In its third-quarter report, Maple Leaf mentioned the import suspension as a headwind. With this in the rear-view mirror, Maple Leaf can build on a Q3 that saw the company post sales growth of 13.8%.

Maple Leaf also reported 30.1% sales growth in its exciting Plant Protein Group. The stock last paid out a quarterly dividend of $0.145 per share, which represents a 2.3% yield. Shares are still trading close to 52-week lows.

Canada Goose

Canada Goose (TSX:GOOS)(NYSE:GOOS) fell sharply in December 2018 after Canada arrested Huawei executive Meng Wanzhou, and its stock has not been able to recover. There were boycott threats in the immediate aftermath, but Canada Goose's store opening in Beijing attracted large crowds. Improved relations should ease anxieties as Canada Goose looks to China to power its growth in the coming years.

Shares of Canada Goose have dropped 11.5% over the past month. It released its second-quarter fiscal 2020 results on November 13. Total revenue rose 27.7% year over year to $294 million, and adjusted net income increased 23.9% to $0.57 per share. However, unrest in Hong Kong hurt its business. Nevertheless, Asia fuelled its sales growth in the quarter.

Canada Goose stock had an RSI of 34 as of close on January 8. This puts it just outside technically oversold territory. The stock is trading near its 52-week low and is a buy-low candidate worth monitoring to start the year.

Sun Life Financial

Sun Life Financial (TSX:SLF)(NYSE:SLF) has been, by far, the best performer of the stocks I've covered in this article. Shares have climbed over 40% year over year. The stock has achieved average annual returns of 9% over the past decade. The trade war does not pose a huge threat to Sun Life, but the calming of tensions is good news for a company that is seeing its most promising growth in the Asia-Pacific region.

In previous articles, I'd discussed how the rise of the middle class in Asia was producing an environment ripe for the insurance industry. Many who have entered the middle class in China and India remain uninsured, and companies like Sun Life are moving in to fill the need. Asia insurance sales increased by a whopping 47% year over year in Sun Life's Q3 2019.

Sun Life last paid out a quarterly dividend of $0.55 per share, representing a 3.5% yield.

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2. TSX:GOOS (Canada Goose)
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