Canada-China Relations: 3 TSX Stocks That May Be Hit Hard

Description

Last week, the B.C. Supreme Court ruled against Huawei executive Meng Wanzhou. The decision meant that Meng must stay in Canada and continue her fight against the U.S. extradition order against her. There was some hostility from Chinese media outlets in the days following the decision. However, there has been no direct retaliation from the state itself. This does not mean that TSX stocks could not suffer from the blowback.

Today, I want to cover three TSX stocks that may potentially be bitten by the unhappy Canada-China geopolitical relationship.

TSX stocks that have been hit by tensions in previous years

The beginning of the Meng Wanzhou saga in Canada had an immediate impact on a top Canadian brand and top TSX stock in December 2018. At the time, **Canada Goose** (TSX:GOOS)(NYSE:GOOS) stock was riding high ahead of the grand opening of a new store in Beijing. Shares were coming off an all-time high in November, but since the arrest, Canada Goose has been unable to challenge its record valuation.

Canada Goose stock has been hit hard in 2020. Investors have been skeptical of the luxury apparel company in this harsh environment for retailers. Shares have dropped 40% in 2020 as of close on June 1. The stock may be a solid contrarian pick up today. Demand for the Canada Goose brand has not wavered in Asia, even as tensions have heightened. Investors can expect to see its fourth-quarter and full-year fiscal 2020 results tomorrow.

The company possesses an excellent balance sheet and still has promising growth potential. It is worth a look, as it is trading at the low end of its 52-week range.

Will this pull the rug from under Maple Leaf?

Maple Leaf Foods (TSX:MFI) was one of the top TSX stocks I'd recommended during the market crash in March. Shares have climbed 15% over the past three months as of close on June 1.

The company faced some turbulence due to the U.S.-China trade war in 2019. Fortunately, that came to an end late last year. In November 2019, Justin Trudeau announced that Canadian pork and beef exports to China would resume. This ended a five-month suspension that China imposed in June 2019.

As of today, there is no indication that China will again take aim at Canadian meat markets. Maple Leaf has looked strong in 2020. Investors should be especially excited about its plant-based protein segment growth. This is a TSX stock I'm still bullish on in early June.

Watch out for insurance stocks

TSX stocks in financials have been hit hard due to the COVID-19 pandemic. Insurance stocks had been reliable over the course of the 2010s, but this year has proven different. **Sun Life** stock has dropped 17% so far this year. Shares of **Manulife Financial** have plunged 32%. These companies have been reliant on growth in Asia on the back of the burgeoning middle class on the continent. If China seeks to restrict Canadian insurers access to its citizens, these stocks could struggle in the long term.

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Author
aocallaghan