Election Sell-off Fears? Canadians Should Buy These Stocks

Description

You've probably seen them around already: the stock pick hot takes based on either party winning the U.S. election. But the fact is that the election could cause a sell-off either way. For conservative American shareholders, for instance, a Democrat win might not be palatable.

For non-Americans holding **NYSE** and **NASDAQ** stocks, a Republican win may be also be unwelcome. The ink is still wet on USMCA, after all.

Two outcomes, one frothy outlook

But even if Canadian's are shielded from U.S. stock markets directly, for instance by holding only **TSX**-listed names, the fallout from the election could still have a deleterious effect. Throw in the distinct possibility that a vaccine for the coronavirus is unlikely to be available by November, and there is the potential for a choppy market.

So which stocks should Canadians put their faith in no matter who sits in the White House come January 2021?

Between the "progressive" tone of certain Democrat nominees to the protectionist rhetoric of the Republicans, there is plenty of scope for investors to feel alienated this November. It's a classic case of "damned if you do, damned if you don't."

However, one outcome might be better than another, given the general Democrat push for raising corporate taxes. Either way, though, caution is called for.

One way to play a Joe Biden win might be to focus on stocks that are heavily weighted by cross-border trade with the U.S. A return to the pre-trade war era might see a big boost in stocks that have been depressed by lumber and metals tariffs. Stocks like **Norbord** might see some extra upside. This name has seen sharp share price appreciation in the past three months, up by 100%.

Betting against Biden? Try these stocks

A Republican win, on the other hand, could see potential improvements in the areas of IT, consumer discretionaries, energy, and financials. Trump/Pence bulls should therefore opt for big names in those areas. Consider stocks such as **TD Bank** (TSX:TD)(NYSE:TD), a name that could spring back on strong consumer sentiment.

Retail could also rebound if the markets approve of the November results, with cross-border favourites such as **Canada Goose** seeing gains.

A potential play for all seasons, TD Bank offers investors a wide-moat play on cross-border financials. While Canada's top Big Five banks could have a rough time of it during the next 12 to 18 months, TD Bank is defensively large-cap.

Investors should also consider the stake TD Bank has in zero-commission online trading. This comes via last year's **TD Ameritrade**/**Charles Schwab** US$26 billion-dollar deal of the decade.

The deal was hotly discussed at the time, and saw shares in TD Bank suffer a knock-on selloff. TD Bank is still down 21.5% year on year, though the majority of these losses are pandemic-weighted. As a result, a 5.2% dividend yield is on offer from Canada's second-best bank.

This reflects a nicely valued stock that is likely to reward investors for years to come. Investors should consider building long positions in incremental stages of market weakness.

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