



The Metal Tariff Removal Boosted These 3 TSX Stocks

Description

The U.S. dropped tariffs on Canadian aluminum Tuesday. The removal of the 10% tariff introduced in August is likely to be welcomed by all sides, and the effect on TSX metals stocks has already been positive.

Russel Metals ([TSX:RUS](#)) had been sitting on a 1% loss Tuesday morning. That quickly flipped to a gain of a percentage point. Towards the end of the week, the majority of gains had been retained. **Exco Technologies** ([TSX:XTC](#)) also saw its fortunes improve Tuesday. Investors nudged the maker of dies, moulds, and components up by around half a point. Exco's five-day average had climbed to 2% by Thursday.

Meanwhile, **Stelco** popped 2.8% on the news. Its three-month gains are now sitting at a reassuring 27.7%. Selling at twice its book price, Stelco could be better value for money, though, so investors looking to buy on value and hold long term may want to wait for another pullback. Still, the improvement in metals stocks, while relatively small, is a bright point in an otherwise gloomy week on the markets.

Should you buy metals stocks for the dividends?

Russel Metals has long been seen as safer from trade tensions than some of its peers. This popular TSX metals stock is also well-known for its rich yield. Currently paying an 8.5% dividend, Russel Metals's share price had nevertheless been falling, as the TSX continued to deteriorate.

Despite the last-minute action, an overall 2.2% five-day loss at the start of the week still presented a value opportunity. However, this was smoothed out by Thursday. This yield still beats Exco's yield of 5.5%. However, Exco is also a rich name in terms of passive income, and its services are suitably diversified. this makes either stock a potential [long-term play for passive income](#).

A turnaround in U.S.-Canada relations

The political implications of the tariffs U-turn are potentially fairly broad. For instance, investors should note that the U.S. election is coming up, and both parties need all of the friends that they can get. If you cast your mind back, you'll remember that the [reintroduced tariffs](#) drew criticism from all sides. Indeed, the original metals tariffs were one of the roadblocks to the new USMCA.

This meant that the reinstated tariffs constituted a withdrawal of a key U.S. olive branch to Canada. The increased uncertainty caused by the reintroduced tariff also came at a bad time. All of the above led to the removal of the new tariffs. Significantly, though, they could also hint at an improvement in U.S.-Canada relations.

While the boosts to share prices in affected businesses may be temporary, the longer-term implications of a freer trading environment are palpable. Investors should consider adding a few shares of Exco, Russel Metals, or Stelco. Of these, Russel Metals is arguably the strongest play for the long term.

Russel Metals managed to navigate the previous round of tariffs with comparative ease. This was made possible largely by the fact that Russel Metals is not as reliant on cross-border trade as some competitors. All of this bodes well for metals investors eyeing the potential for a Republican win in the U.S. in November.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:RUS (Russel Metals)
2. TSX:XTC (Exco Technologies Limited)

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Author

vhetherington

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