3 Must-Own Stocks During the U.S. Election

Description

The U.S. election is just a few weeks away. And it's almost certainly going to have an impact on Canadian stocks. Donald Trump and Joe Biden have vastly different policies on trade. Depending on who wins, Canadian exporters' fortunes could rise or fall. In this environment, many stocks are vulnerable. But others should be just fine — unaffected by the election outcome for the most part. The following are three such stocks to own during the U.S. election.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is Canada's largest utility company. It owns assets in Canada, the U.S., and the Caribbean. Supplying heat and light to 3.3 million customers, it's a real utilities giant.

Fortis's business should not be harmed by the U.S. election outcome one way or the other. It makes money in the U.S., but not through exports, so it shouldn't be impacted by Trump's trade wars. Meanwhile, its geographic diversification means that it doesn't have to worry too much about Biden increasing the corporate tax rate. Overall, it's a great utility play that is not that affected by the U.S. election outcome.

Canadian Tire

Canadian Tire (TSX:CTC.A) is a Canadian retailer that owns gas stations, clothing stores, and a flagship retail chain. The company operates almost exclusively in Canada, so it's relatively immune to the effects of the U.S. election.

2020 hasn't been a great year for Canadian Tire so far. In the first and second quarters, it got rocked by COVID-19 lockdowns. As a result, it lost $0.13 per share. Lately, however, its business has been bouncing back. Most of its retail locations are allowed to open again, and its e-commerce business is booming. Overall, it's a great recovery play that could provide some much-needed safety amid a turbulent U.S. election.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a Canadian bank whose core commercial banking operations are mostly concentrated in Canada. It has U.S. operations — mainly in wealth management — but is more Canada-focused than, say, **TD Bank**. This means that it should be relatively safe during election season. The U.S. election outcome will have a big impact on many Canadian banks. For example, if Donald Trump wins, he'll continue to push low interest rates, which will make it harder for U.S. banks to turn profit. Royal Bank is less vulnerable to this than Canadian banks with large U.S. retail operations.

Royal Bank has been doing better than the other Big Six banks this year. In its most recent quarter, its earnings were down only 2% year over year. That's in contrast to other banks, which saw earnings down as much as 30%. Most Canadian banks are beginning to grow sequentially, but only Royal Bank is getting close to recovery on a year-over-year basis. This makes it a solid bank play for the COVID-19 recovery.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
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