



If Biden Wins, These 3 Canadian Stocks Will Surge

Description

We're just days away from one of the most crucial elections in recent history. The outcome in the United States could have a dramatic impact on stocks in Canada. Early polls seem to indicate a Joe Biden victory. This means Canadian investors should prepare for a change in administration and international trade policies.

Here are the three stocks that could benefit from a Biden victory next month.

Biden administration policies

From taxation to healthcare, plenty of U.S. policies are expected to shift under a Biden administration. However, for Canadian investors the most noteworthy shift is the end of the ongoing trade war. A resumption of free flowing trade across the U.S.-Canada border would [boost Canadian exporters](#).

CN Railway

The primary beneficiary of higher trade would be **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)). The company manages the transport of goods worth over \$250 billion a year. The vast majority of these goods are heading across the border.

Despite the volatile trade war and decline in consumption during this health crisis, CN Rail stock has been remarkably robust. The stock is up 16.8% year to date and 54% since Trump took office in 2017. However, a Biden victory could boost trade relations with our neighbour and magnify the volume of goods sent across the border.

Higher volumes should spur this stock much further. The stock trades at just 29 times trailing earnings per share. It's a fairly valued proxy for Canadian investors looking to bet on the outcome of the U.S. election.

Canadian Pacific

The benefits of better trade relations would be higher for **Canadian Pacific** ([TSX:CP](#))([NYSE:CP](#)). CN Rail's rival is more focused on industrial goods and raw materials such as steel and aluminum. These raw materials have been at the centre of Trump's trade war.

A Biden victory could potentially dissolve this trade barrier and boost Canadian Pacific's stock. The stock has already outperformed CN Rail. It's up 24.5% year to date and 114% since Trump took office in 2017. That performance demonstrates how robust the rail business is, regardless of political tensions. However, easier trade would boost their bottom line even further.

CP stock is currently trading at 24.7 times earnings per share, which makes it an undervalued bet on a potential Joe Biden victory.

Magna International

The Trump administration's impact on car parts and auto manufacturing in Canada has been clearly detrimental. "I have instructed our U.S. Reps not to endorse the Communique as we look at Tariffs on automobiles flooding the U.S. Market!" Trump said during the North American Free Trade Agreement discussions in 2018.

Trump's auto tariffs resulted in the loss of millions of jobs in auto parts and car manufacturing. As a result, auto stocks like **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) lost tremendous value. Magna stock was down 20% between 2018 and early 2020 before the pandemic hit. In March this year, the company lost nearly half its market value.

Now, the stock has bounced back. But it's still an underrated and undervalued bet on the future of the automotive sector. Magna is a key player in the electrification of transport. Its parts are critical for self-driving and electric charging. Under a Biden administration, Magna's prospects could be significantly better.

An end to the trade war and a renewed focus on electric transport will boost Magna's earnings in the United States. That makes it a top pick for investors looking to bet on the outcome of the upcoming presidential race.

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3. TSX:CNR (Canadian National Railway Company)
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