

## Five Ways to Trade the Trump Effect

Apparently, Donald Trump has the Midas touch.

Infrastructure cement, cyber security and even defense stocks are proof.

A trillion-dollar infrastructure spending promise sent stocks like H&E Equipment (HEES) from \$13 to \$27. Vulcan Materials (VMC) ran from \$110 to \$135. Jacobs Engineering (JEC) exploded from \$49 to \$63. U.S. Steel (X) popped from \$18 to \$38.



Then he turned around and spoke about the Mexican wall. Martin Marietta (MLM) would run from \$175 to \$235. U.S. Concrete (USCR) jumped from \$46 to \$67.50.

Then he turned around and spoke about deregulation. Banking ETFs like the Financial Select Sector SPDR (XLF) would fly from \$19.50 to \$25.

Then, he signed an executive order with regards to cyber security a day prior to the latest ransomware virus. Palo Alto (PANW) would run from \$110 to \$122. Fire Eye (FEYE) would pop from \$14 to \$16.50. Check Point (CHKP) would soar from \$105 to \$110.



Then, in recent weeks, he inked a deal with Saudi Arabia worth \$350 billion over the next 10 years, and up went military and other defense stocks. Raytheon (RTN) ran from \$156 to \$162. Boeing (BA) ran from \$175 to \$184.80. General Dynamics (GD) ran from \$191 to \$200.

Northrop Grumman (NOC) ran from \$243 to \$253.



“This package of defense equipment and services support the long-term security of Saudi Arabia and the Gulf region in the face of Iranian threats, while also bolstering the Kingdom’s ability to contribute to counter terrorism operations across the region,” according to the White House, as quoted by CNBC.

Therein lies the Midas touch.

With each new bill signed or idea spoken about, related stocks have an opportunity to soar.

At the moment, one of the hottest places to park cash is still in defense stocks, and ETFs like:

The iShares U.S. Aerospace & Defense ETF (ITA) that recently ran from a low of \$149 to \$157.  
The SPDR S&P Aerospace & Defense ETF (XAR) that ran from \$66 to \$70.

And the Power Shares Aerospace and Defense Portfolio (PPA) that ran from \$44 to \$45.

**XAR SPDR S&P Aerospace & Defense ETF NYSE**

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**Open 68.99 High 70.08 Low 68.96 Close 69.77 Volume 124.5K Chg +1.23 (+1.79%) ▲**

▲ XAR (Daily) 69.77

— MA(50) 67.58

— MA(200) 63.28

■ Volume 124,548



However, there's another way to do well with defense stocks. If you can find defense stocks with no chance of bankruptcy, down on its luck because of previous bad numbers, and that no one wants to touch, buy and hold.

Look at Cubic Corporation (CUB) for example.



The company designs, develops, and sells products mass transit fare collection systems, air and ground combat training systems, and secure communications products for various federal and regional government agencies in the United States and internationally.

Fundamentally, things haven't been going so well for Cubic.

Quarterly sales fell 6% to \$343.7 million. Operating costs were down 8%. It wasn't enough to produce a profit. Instead, it posted an operating loss of \$2 million. However, recent weakness makes it an attractive opportunity, especially after the latest news from the White House.

Technically, after gapping from \$52 to \$44, CUB is aggressively oversold on RSI, MACD and Money Flow. Plus, this isn't the first time CUB has gapped lower. Each time it has gapped down over the last three years, it was a perfect buying opportunity, as it may be now.

At these levels, it's not likely to stay cheap for long.

Traders have been buying the underlying stock at \$46 a share. They're also buying the above-mentioned ETFs, as well as the Lockheed Martin (LMT) July 2017 285 call, which carries a delta of 0.3995.