

Steel and Aluminum Tariffs: The Five Stocks to Own

The rally in steel and aluminum stocks may just be getting underway.

Just last week, the Trump Administration imposed tariffs on steel and aluminum exports from three of its closest trading allies – Canada, Mexico, and countries in the European Union.

The tariffs — 25% on imports of steel and 10% on aluminum — are expected to lead to retaliation from European nations, says National Public Radio.

"The EU believes these unilateral US tariffs are unjustified and at odds with World Trade Organization rules. This is protectionism, pure and simple," said President of the European Commission, Jean-Claude Juncker, as quoted by CBS News. The EU will seek to "rebalance the situation by targeting a list of U.S. products with additional duties."

Mexico has vowed to impose "equivalent measures to various products in the face of U.S. protectionist measures." It could target products, including food such as pork legs and shoulders, sausages, apples, blueberries, and various cheeses.

Canada also noted it intended to impose countermeasures against the U.S. in response to the tariffs. Among the countermeasures is \$16.6 billion in retaliatory tariffs in steel row. "These countermeasures will take effect on July 1, 2018 and will remain in place until the U.S. eliminates its trade-restrictive measures against Canada."

While that's all a wait and see, the reaction from investors has been swift.

Shares of U.S. Steel (X) are already up from \$35 to \$37.70.

- AK Steel Holding (AKS) is up from \$4.30 to \$4.80 so far
- Century Aluminum (CENX) ran from \$16 to \$17.70 so far
- Nucor Corporation (NUE) has run from \$62.50 to \$65.80
- Steel Dynamics (STLD) ran from \$49 to \$50 so far

So what's the best way to trade these stocks?

One is to buy and hold each stock with an equal amount of dollars on each stock.

Of the bunch, we'd buy call options on NUE.



In its last earnings call, the company said that earnings should significantly increase in the second quarter based on tariff concerns. Adding Europe to the list of places that'll see tariffs would only serve as a bigger catalyst for the stock. While plans can always change, we'd recommend buying the NUE July 20, 2018 67.50 calls at market prices.

What's also interesting to note is that markets don't seem all too fearful of the trade war.

Instead, markets continue to push higher, despite the news.

One reason for that, notes CNN, is that Trump's trade agenda is cooling an economy that was on the verge of overheating from Trump's tax cuts. That in turn has eased fears of runaway inflation that would force the Federal Reserve to aggressively raise interest rates.

Whatever the case may be, it appears there's still plenty of upside in this market.

Nothing seems to be upsetting investors these days.