Trump Trades: How to Trade Potential Infrastructure Plans

We're all well aware of the government's desire to spend $1 trillion on fixing America's aging and ailing infrastructure issues. But now, it's nearing reality.

To start, let's make one thing clear. It'll take more than $1 trillion to get the job done.

In fact, add another $2.6 billion to the $1 trillion noted above and we're getting a little closer.

From the crumbling dams of California to the potholes that fill U.S. highways, signs of decaying infrastructure are all around us. It's gotten so bad that many of us don't even care to notice the effects of inaction when it comes to infrastructure - constant congestion, interrupted flights, closed roads, and rickety old bridges 50+ years in age.

First, consider just how bad our current issues are:

- More than 15.500 of the country's 87,539 dams are still considered high hazard potential for public safety and could take nearly $60 billion to repair.
- More than 180,000 people were evacuated from California in February 2017 on fears that the Oroville Dam would collapse.
- More than 3,032 pipeline spills since 2006 has cost the U.S. $4.7 billion.

One look at the countless potholes, congested roads, derailed trains, collapsed bridges and dams is proof enough. Just to fix it all could cost as much as $3.6 trillion by 2020, says the American Society of Civil Engineers (ASCE).

What's worse, the ASCE just gave current U.S infrastructure a D+ rating. Even the Federal Transit Administration (FTA) has estimated that there's an $808.2 billion backlog in deferred maintenance on the nation's rail and bus lines.

On top of that, according to the American Road and Transportation Association, nearly 56,000 bridges in the U.S. alone are structurally deficient.

More than 25% of current bridges are more than 50 years old, as well.

Yet, federal spending on infrastructure has fallen 9% in the last 10 years.

Worse, we need to fix just about everything, even the water supply.

Consider this, for example.

The U.S. needs $1.27 trillion over the next two decades to meet the growing demands for wastewater and safe drinking water. At the moment, the U.S. alone consumes 42 billion gallons of treated drinking water every day. Yet, six billion gallons are lost because of leaking pipes.

On top of that, a lack of progress in infrastructure repairs could cost U.S. GDP $3.9 trillion by 2025. Businesses could lose $7 trillion by 2025. More than 2.5 million jobs could be lost. All thanks to poor roads and airports, an aging electrical grid, and higher costs for businesses, which are passed to families and workers.

Tack on lost productivity, poor public health issues, and experts say to fix it all could cost us trillions more by 2020, according to the American Society of Civil Engineers (ASCE).

Some issues are so severe, it'll cost billions just to bring it all to safe standards.

However, as we near January 2018, the White House is preparing to roll out its $1 trillion infrastructure plan. According to The Hill, *“the administration has long said it wants to use $200 billion in federal seed money, along with significant permit reform and other incentives, to leverage $1 trillion worth of overall infrastructure investment.”*

For that reason, we begin looking at potential beneficiaries of such a program.

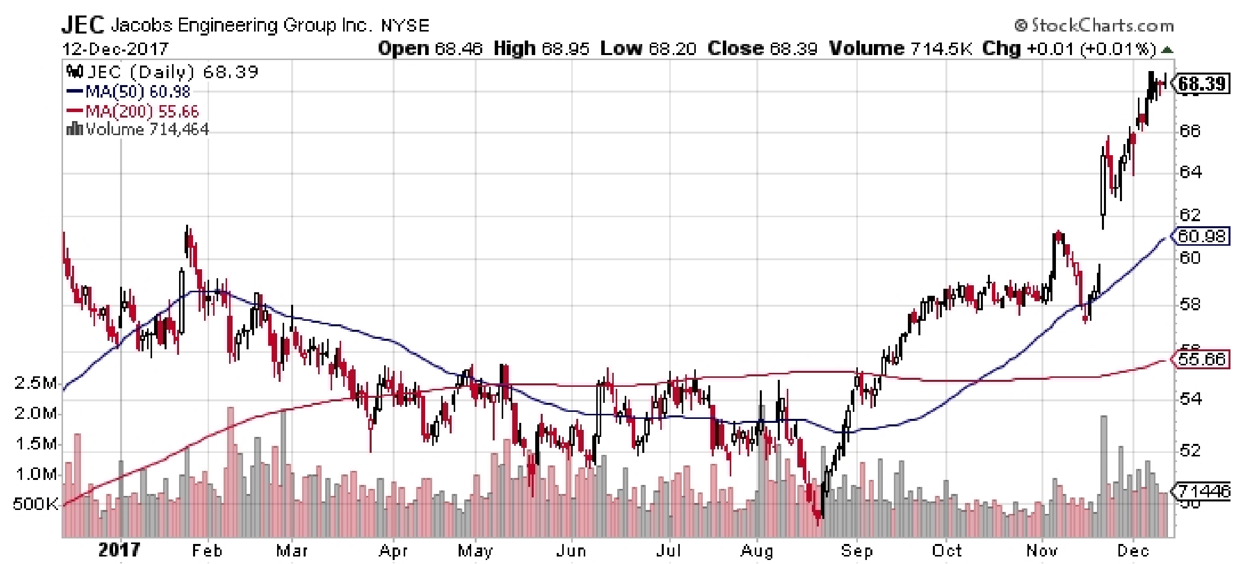
There are multiple ways to trade the excitement.

One way is to buy related ETFs, such as the iShares Global Infrastructure ETF (IGF) and the SPDR S&P Global Infrastructure ETF (GII). Both should do very well with patience as we near a probable plan from the Trump Administration.

We can also look at the following:

No. 1 – Jacobs Engineering (JEC)

Since late August 2017, shares of Jacobs Engineering soared from a low of $49 to $68 for example. This is the company that provides technical, professional, and construction services. It offers project services that include engineering, architectural, interiors, design, planning, and related services, as well as planning, scheduling, procurement, estimating, cost engineering, project accounting and delivery, safety, and other support services. Interesting to note, JEC’s buildings and infrastructure unit generated 21% of its $11 billion in 2016 revenue, and 30% of its $586 million in 2016 operating profits. Plus, in August 2017, it acquired CH2M for $3.3 billion in an effort to strengthen its government services and infrastructure business.



No. 2 – U.S. Concrete (USCR)

Since the start of 2017, shares of USCR have run from $68 to $79 and were likely to run higher on excitement of a Trump infrastructure plan. The company produces and sells ready-mixed concrete, aggregates, and concrete-related products and services for the construction industry in the United States. It operates through two segments, Ready-Mixed Concrete and Aggregate Products. The Ready-Mixed Concrete segment engages in the formulation, preparation, and delivery of ready-mixed concrete to customers’ job sites; and the provision of various services that include the formulation of mixtures for specific design uses, on-site and lab-based product quality control, and customized delivery programs.

The Aggregate Products segment offers crushed stone, sand, and gravel for use in commercial, industrial, and public works projects. The company also engages in the operation of building materials stores; provision of concrete blocks, lime slurry, and Aridus rapid-drying concrete technology; sale of brokered products; hauling and recycled aggregates operation activities; and operation of aggregates distribution terminals, as well as transfer trucks for transporting cement and aggregates. It primarily serves concrete sub-contractors, general contractors, governmental agencies, property owners and developers, architects, engineers, and homebuilders.

No. 3 – U.S. Steel (X)

U.S. Steel has three things going for it.

One, it has been unfairly ignored. Two, it has good growth potential, as President Trump attempts to push through his $1 trillion infrastructure spending program.

And three, let's face it - It's cheap.

Shares of U.S. Steel have had a miserable year so far. Not only did it post weaker than expected first quarter results, it even trimmed its full year earnings outlook.

But in our opinion, much of the bad news is fully priced in.

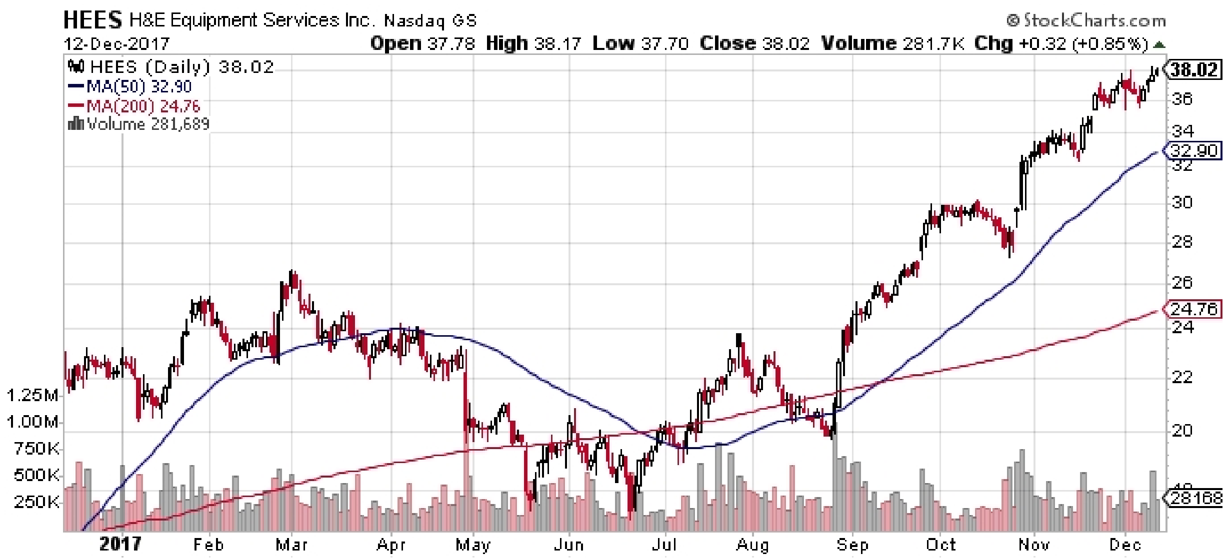
In short, the bottom may be in for beaten down shares of U.S. Steel. Even JP Morgan analysts have argued that doomsday scenarios are misplaced with this stock, and that the current price is an attractive place to take a position. According to Barron's, those same analysts said that recent weakness created an "excellent entry point for investors."

We have to consider that a possible trillion-dollar infrastructure push from Donald Trump, and a potential $2 trillion push from the Democrats could reignite the stock, too. A significant investment in infrastructure would surely boost demand for most steel production the U.S.

In fact, the President has consistently noted that the nation's coal, iron and steel industries could use some help. By improving our nation's infrastructure, these industries could recover quickly.

No. 4 – H&E Equipment Services Inc. (HEES)

HEES has also seen shares rocket higher on infrastructure excitement. We believe it could also move higher on potential January 2018 plans to improve the nation's ailing infrastructure.



H&E Equipment Services, Inc. operates as an integrated equipment services company. The company rents, sells, and provides parts and service support for hi-lift or aerial work platform equipment, cranes, earthmoving equipment, and industrial lift trucks. It offers heavy construction and industrial equipment for rent on a daily, weekly, and monthly basis.

It also sells new and used equipment and parts, as well as provides maintenance and repair services for the customers owned equipment. In addition, it provides ancillary equipment support activities, including transportation, hauling, parts shipping, and loss damage waivers. The company provides its services to industrial and commercial companies, construction contractors, manufacturers, public utilities, municipalities, and maintenance contractors, as well as for other industrial accounts.

ETF Trade Recommendations:

- Buy the iShares Global Infrastructure ETF (IGF)
- Buy the SPDR S&P Global Infrastructure ETF (GII)

Stock and Options Recommendations

- Buy the JEC stock
- Buy the HEES stock and, or the HEES February 16, 2018 40 calls