

The Top 3 Ways to Trade a Potential Infrastructure Bill

Infrastructure in the U.S. is still a disaster.

While the American Society of Civil Engineers gave the country a C- this year – a marked improvement from a D+ in 2017, things are still dire.

“Many of the country’s roads, bridges, airports, dams, levees and water systems are aging and in poor to mediocre condition. And they’re in need of a major federal investment to keep from getting worse and to withstand the harsh effects of a changing climate, according to the American Society of Civil Engineers,” as reported by NPR.

In addition, according to the ASCE, 47% of the 617,000 bridges are more than 50 years old. More than 46,000 of them were deemed “structurally deficient.” The ASCE also notes the U.S. is \$2.59 trillion short in infrastructure needs.

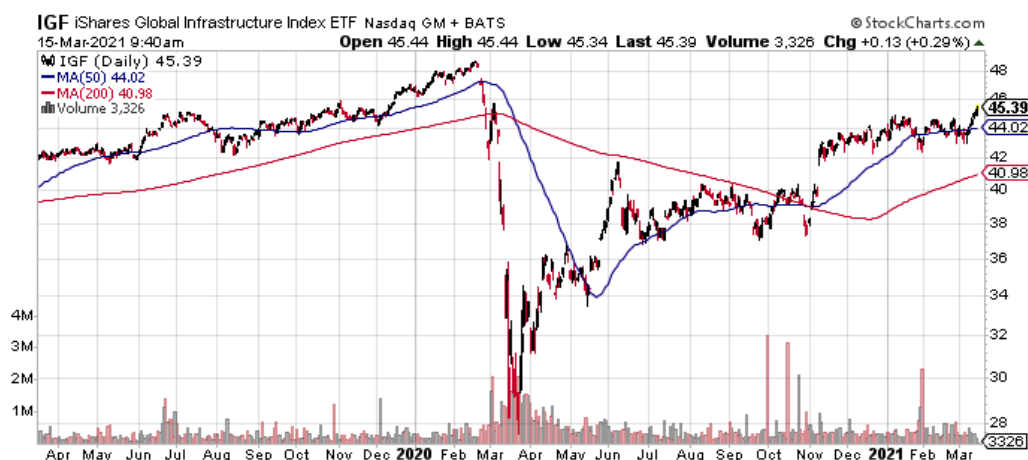
However, there’s hope Biden may act on the issue with a potential \$2 trillion bill.

“We are so far behind the curve,” Biden said, as quoted by Forbes. “We rank something like 38th in the world in terms of our infrastructure – everything from canals to highways to airports.” He added that the United States needs to do “everything we can do... to make ourselves competitive in the 21st century.”

If we see progress with infrastructure spending, here are three stocks to consider.

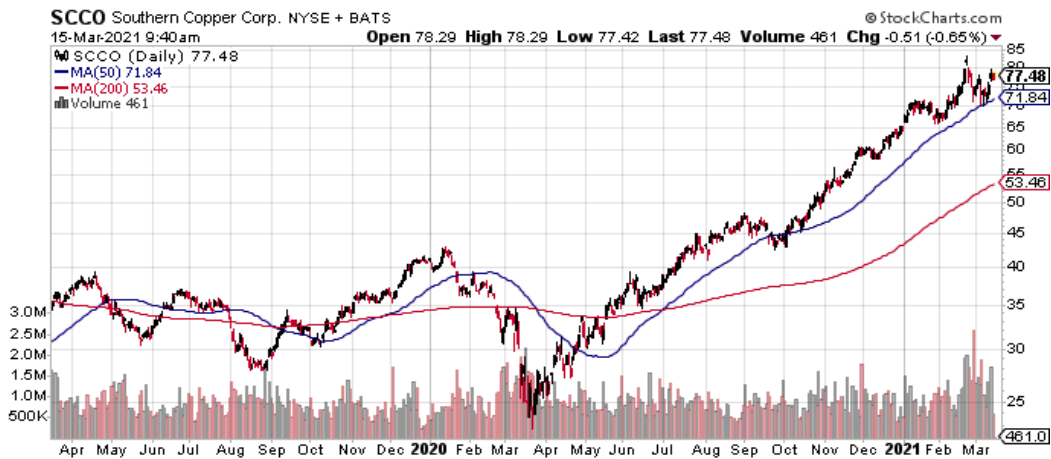
iShares Global Infrastructure Index ETF (IGF)

One of the best ways to diversify – at less cost is with an ETF, such as the iShares Global Infrastructure Index ETF (IGF). At \$45 a share, we could see a near-term test of \$50. The ETF offers us exposure to Enbridge Inc., TC Energy Corp., Kinder Morgan, Duke Energy Corp., Williams Inc., Exelon Corp., American Water Works, and dozens more.



Southern Copper (SCCO)

Copper prices hit a nine-year high on supply issues, and signs of a new commodity super cycle. In addition, “That big surge in demand met with that big shortage of supply, and I think that’s one of the explanations right now. There’s no question that stimulus and vaccinations and the eventual reopening of the economy is being priced in here, but some of this is a shortage of supply,” says Gina Sanchez, CEO of Chantico Global, as quoted by CNBC.



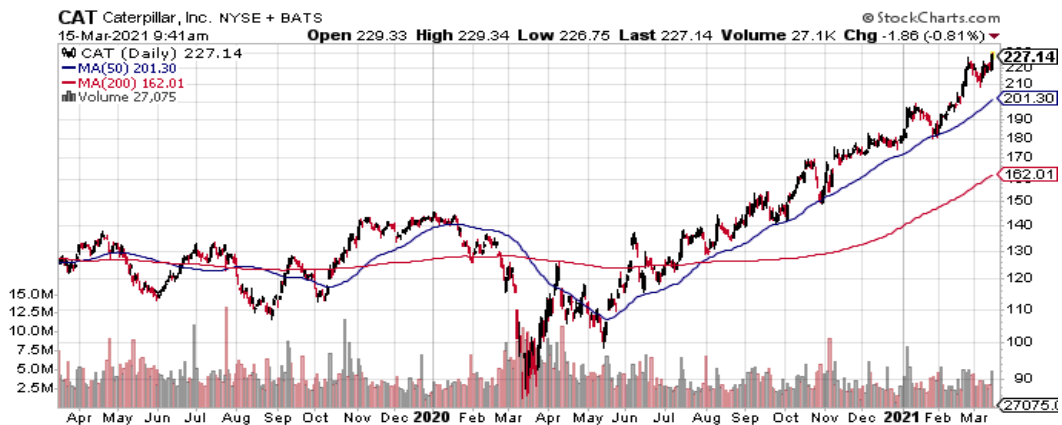
In addition, heavy demand for power generation, electric vehicles, charging stations, and perhaps plans to update the nation's ailing infrastructure is driving copper prices higher. Goldman Sachs even just raised its 12-month price target to \$10,500/t.

Caterpillar (CAT)

The world's biggest construction equipment manufacturer should benefit from an infrastructure program, too. We'd like to see a near-term test of \$240 on CAT.

Better, there are plenty of CAT bulls.

For example, JP Morgan has an overweight rating with a \$237 price target.



"We are raising our CAT estimates on improving equipment fundamentals, particularly in construction, mining, and energy. We view the unprecedented winter storm in Texas as a catalyst for near-term construction and back-up power-equipment demand (rental initially, sales thereafter) while also strengthening bipartisan support for a broad-based [national] infrastructure package," as reported by Barron's.

"Additionally, U.S. oil/gas production is likely to accelerate, albeit off a relatively low base. Separately, we believe that mining capex is entering a sustained, demand-driven upcycle as hard commodity prices continue to rally and equipment replacement is likely to continue to accelerate. We raise our December 2021 price target to \$237 from \$205," they added.