



Pre-Christmas Market Action: S&P/TSX Higher on Duo of Mining Deals

Description

Canadian equity markets were higher during a shorten Tuesday trading session boosted by strong U.S. economic data, smartphone maker **BlackBerry** (TSX:BB, NASDAQ:BBRY), and a duo of mining deals.

The **S&P/TSX Composite Index** (^OSPTX) was up 69.89 points, or 0.59%, to close the day at 13,517. In the United States, the **Dow Jones Industrial Average** hit another all-time high, finishing the trading session up 62.94 points, or 0.39%, to 16,357.

In especially light Christmas Eve trading, investors were pleased with a series of better-than-expected economic data points. U.S. durable good orders increased 3.5% in November and median home prices posted an 8.2% year-over-year gain.

In combination with the strong retail sales numbers released yesterday and a solid GDP figure earlier this month, these reports should raise hopes of robust economic growth in 2014.

BlackBerry also rallied 3.4% to \$8.25 as investors continue to digest the firm's new turnaround plan. The company's decision to outsource all of its handset production to Foxconn lowers the risk it will have to take more massive write-downs on unsold smartphones. Since the company reported earnings on Friday, BlackBerry shares have rallied 25%.

Miner **Centerra Gold** ([TSX:CG](#)) charged ahead 4.8% to C\$4.16 after the Kyrgyz government announced that it had agreed to swap half of its ownership in the country's Kumtor mine for a 32.7% stake in the company.

Sheritt International ([TSX:S](#)) also announced that it is selling off its coal mining business to two separate buyers for \$946 million, split roughly evenly between **Altius Minerals** and **Westmoreland Coal**. The deal was warmly greeted by investors with Sheritt shares surging 14.8% to \$3.88.

The move shouldn't be surprising. Bay Street has been speculating that Sheritt would sell off its coal business since Harold Stephen took over as Chairman earlier this year. The restructuring expert is best known for his reorganization of many Canadian companies including Stelco and CanWest Global

Communications.

Today's divestment allows Sherritt to refocus on its core businesses and enhances liquidity. The deal also frees up a lot of capital to pare down debt and fund share buybacks. Given the challenges in the mining industry, taking as much capital as possible out of the business is the right policy from a shareholder's perspective.

Foolish bottom line

Sherritt represents exactly the type of stock investors should be looking for in 2014. With equity indices nearing all-time highs, you're unlikely to find a wonderful business trading at a reasonable price. Rather, investors should be searching for companies that have been suboptimally managed that could rise in value if changes are made. In my view, spinoffs and asset sales will be the main catalysts for higher stock prices next year.

Where do you go to look for these opportunities? Well, there's no shortage of candidates in the battered mining industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BB (BlackBerry)
2. TSX:CG (Centerra Gold Inc.)
3. TSX:S (Sherritt International Corporation)

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