



3 Stocks to Watch This Week

Description

The strong performance of the Canadian equity market continued in the first week of March with a gain of 0.63% bringing the total return so far this year to 5.0%. The **Toronto Stock Exchange 300 Composite Index** (TSX: ^GSPTSE) is now within striking distance of the all-time high reached in June 2008 and up by 88% since the bottom of March 2009.

The market gain was broad-based, with 65% of the 300 companies in the Composite Index delivering positive returns. The top of the performance table was again dominated by the mining stocks, but other companies with good results also had strong gains. One of the companies that I [highlighted last week](#), **Magna International**, gained more than 8% during the week after it reported much stronger than expected results.

Poor performers in the first week included **Valeant Pharmaceutical** (-8.1%) and **BlackBerry** (-5.7%). Valeant earlier produced results in line with expectations but the sustainability of the acquisition driven growth strategy is increasingly questioned while BlackBerry gave up some gains after a very strong run so far this year.

Watch the performance of these companies this week...

The results announcement of **Empire Company** ([TSX:EMP.A](#)), expected on Thursday, will be watched with interest as it will include for the first time its recent acquisition of Safeway Canada and exclude Empire Theaters, sold to Cineplex and Landmark Cinemas in November.

In a tough operating environment and difficult shopping conditions in December and January, the market consensus expectation is adjusted earnings per share of \$1.23 for the quarter versus \$1.17 a year ago. Although the acquisition and disposal accounting impact will distort the reported profits to some extent, the focus will be on the profitability of the ongoing operations. Against a background of a poor stock price performance over the past six months, the results may still be disappointing.

Diversified communications company **Quebecor** (TSX:QRB.B) will also report on Thursday an expected earnings per share of \$0.53 compared to \$0.38 a year ago. In the recent government auction, Quebecor acquired 700 Mhz spectrum in Quebec, Ontario, Alberta and British Columbia at a

considerable discount to the price paid by the majors.

The results announcement may provide further clarification on its plans with these potentially valuable licenses and hopefully quell market fears of expensive wireless development plans for the non-Quebec licenses. The stock price has been lagging in a rising market since the start of the year and the valuation is at a discount to the direct comparable stocks – this could all change with good results and license clarifications from management.

The main asset of **Power Corporation** ([TSX:POW](#)) is its 66% holding in **Power Financial** (TSX:PWF), which in turn holds three major assets, namely Pargesa Holding, **Great West Lifeco** ([TSX:GWO](#)) and **IGM Financial** ([TSX:IGM](#)). Great West recently reported a strong increase in profits partially as a result of a litigation recovery and IGM reported results slightly weaker than the year before but indicated an increase in assets under management.

For Power Corp, the market is expecting earnings per share of \$0.63 for the quarter compared to \$0.48 a year ago and for Power Financial the expectation is \$0.68 versus \$0.57 a year ago. The main attractions of the Power companies are the holding company discounts and the relatively high dividend yields. A word of caution on Power Financial – short sellers have taken a considerable position against the company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:GWO (Great-West Lifeco Inc.)
4. TSX:IGM (IGM Financial Inc.)
5. TSX:MG (Magna International Inc.)
6. TSX:QBR.B (Quebecor Inc.)

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