



5 Can't-Miss Investment Stories From Last Week

Description

Happy Friday! It was another busy week for Canadian investors: the bidding war for **Osisko Mining** ([TSX: OSK](#)) heats up, the **Bank of Montreal** says there's no housing bubble, and a revolution begins in the railroad industry. Here are the top five investing stories from the past week.

No bubble in Canada's housing market

A report from BMO Economics suggests that there is no major correction coming in Canada's real estate market. Senior Economist Sal Guatieri says the so-called "bubble" in housing is overblown, pun intended, and that Canada is not in the same position the United States prior to the 2007 crash.

Mr. Guatieri writes: "It's worth noting that the rapid price gains, relative to income, paled in comparison with the U.S. housing boom from 2001 to 2006, when prices (Case-Shiller) rose seven percentage points faster than income. Canada's price boom was smaller than the U.S.'s, and initially reflected some catch-up after a long period of weakness that left the market undervalued."

However, Guatieri agrees that a sharp correction in the housing market could have devastating consequences for the Canadian economy overall. Based on his analysis, a 10% correction in real estate price would cut Canada's gross domestic product growth rate in half or basically by as much as one percentage point.

The battle for Osisko rages on

The bidding war for Osisko Mining and its flagship Canadian Malartic mine raged on again this week.

On Wednesday, **Yamana** ([TSX: YRI](#))([NYSE: AUY](#)) and **Agnico Eagle** ([TSX: AEM](#))([NYSE: AEM](#)) announced a joint bid for Osisko. The offer is valued at \$8.15 per share, representing a premium of 11% compared to **Goldcorp's** most recent hostile bid. Details of the deal are complex, but the offer consists of cash, shares of Yamana and Agnico Eagle, and a new company to be spun-off from Osisko.

However, judging by the market's reaction, it's clear that investors think the price for Osisko is too high. Immediately following the announcement, Yamana Gold and Agnico Eagle shares fell 4.2% and 8.5%.

In contrast, Goldcorp shares rallied almost half a percent. No doubt shareholders are happy that it got bailed out of this rapidly escalating bidding war.

Brace yourself, the energy IPOs are coming

Bloomberg is predicting a coming rush of initial public offerings and spin-offs out of Canada's oil patch. Rebecca Penty and Doug Alexander write, 'Forecasts for a rebound in first-time share sales come as secondary offerings surge, buoyed by rising fuel and share prices.'

Encana (TSX: ECA)(NYSE: ECA) marks the first of a potential wave of IPOs with the sale of its PrairieSky Royalty trust. The company is looking to raise at least \$700 million from the spin-off which could come as early as next month.

Citing unnamed sources, the article also reports that seven operators in British Columbia's Montney shale are weighing public sales after exhausting sources of private equity capital. The report also highlighted other companies like **Penn West**, **Canadian Natural Resources**, and **Talisman Energy** are looking to purge assets through spin-offs.

The revolution will not be televised

How do you get an edge in the stock market? Sometimes it helps to dig down into the industry or sector as a whole using non-mainstream sources, such as trade magazines or other industry-specific materials, sites, and boards. These can provide a much deeper look at the most relevant factors driving these businesses.

Case in point was an interesting story published late last week in *Railway Age*. According to the trade publication, **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)) has delivered the first of four specially designed liquefied natural gas, or LNG tenders which are ultimately destined for use by **Canadian National Railroad**.

Railway Age writes: "Brian Dracup, Wesport's senior director of rail, says this particular LNG project will have a 60%-to-80% LNG use rate, and has the advantage of converting to 100% diesel if required. Dracup says that adopting LNG could offer Class I's a 30%-to-50%, fuel savings per locomotive, or roughly \$250,000 to \$450,00 per year, based on average fuel consumption of 1.14 million gallons per year [...] Dracup likens the adoption of LNG to the conversion from steam to diesel locomotives in the 1960s, a view shared by leaders in the North American railway industry, including BNSF Executive Chairman Matt Rose."

Grocers feeling the pressure

Stiff competition continues to [take its toll](#) on grocer **Metro** ([TSX: MRU](#)). During the first quarter, the company reported disappointing profits and flat sales. Net earnings sank 15.4% to \$99 million compared to the same period last year. Earnings per share came in at \$1.06 versus \$1.19 last year.

Metro is trying to counter these competitive pressures by maintaining a relentless focus on expenses. However, it's not clear if this tight grip on cost containment can stabilize Metro's earnings. Its overall costs from continuing operations increased just 2.7% to \$330 million. A weak Canadian dollar, increased competition, and higher energy costs are all outside Metro's control.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AEM (Agnico Eagle Mines Limited)
2. TSX:MRU (Metro Inc.)
3. TSX:OSK (Osisko Mining)
4. TSX:YRI (Yamana Gold)

Category

1. Investing

Date

2025/08/22

Date Created

2014/04/18

Author

rbailleul

default watermark

default watermark