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3 Stocks Trading at 52-Week Highs: Is There Still Room to Run?

Description

These days, life is good for Canadian investors. The **S&P/TSX Composite Index** (TSX: ^OSPTX) is in the middle of its tenth straight month of gains, something that hasn't happened since 1983. And among the 10 largest equity markets worldwide, Canada's has performed the best.

The problem now is that finding bargains is more difficult than ever. With so many stocks having performed so well, many names are trading at 52-week highs. Is there more room for them to run?

Below we look at three stocks trading at 52-week highs, in an attempt to gain a clearer picture.

1. Canadian Tire

What a difference a year makes. Last year, **Canadian Tire** (TSX: CTC.A) was a low-growth, out-of-favour retailer that was supposed to lose all its customers to **Target**. The tide started to turn last May when Tire created a REIT, and continued when the company announced it was seeking a partner for its credit card portfolio. The company also posted a string of promising results, likely aided by Target's struggles since entering Canada.

Is there still room to run for Canadian Tire shares? That partly depends on what the company can get in a credit card deal. It also depends on investors' appetites for REITs – Tire still owns 83% of its own REIT. And it also depends on how successful the company is in modernizing its stores; Tire is determined not to be left behind in the technological age, and is really swinging for the fences. If the company connects on all its initiatives, the stock could still be a home run for investors, but that is a big if.

2. Canadian Natural Resources

The TSX's outperformance is due in no small part to commodities, especially energy. Strong international pricing and easing bottlenecks have helped oil producers, while a cold winter gave a boost to natural gas prices. And **Canadian Natural Resources** (TSX: CNQ)(NYSE: CNQ) has not missed out on the fun.

CNRL has a fantastic track record of disciplined capital allocation and ferocious cost control. The company will not hesitate to pick up assets when there's a bargain available, which is exactly what it did when the energy market was slumping. Now that Canadian energy has made a big comeback, CNRL may not find so many golden opportunities. Future performance will depend most on the continued easing of the bottlenecks – President Obama's delay of the Keystone decision doesn't help here.

3. TD Bank

The Canadian banks have all done very well over the past 12 months, but ominous signs are on the horizon. A frothy real estate market and indebted Canadian consumers mean that loan growth may be harder to come by in the future. And that could spell trouble for the banks.

TD Bank (TSX: TD)(NYSE: TD) is a perfect example. Canada's second largest bank now trades at an all-time high, thanks to continued strong performance north of the border. But the company's best chance for earnings growth will come from the United States, a much more competitive and lower-return market. The best time to buy TD may have already passed.

Foolish bottom line

These stocks are not the only ones in Canada trading at 52-week highs; thanks to the TSX's strong performance, there are many more. But these three help show that while there may still be room to run for Canadian stocks, the best days are likely behind us. The names may still be worth owning, just don't get used to the lofty returns of the last 12 months.

CATEGORY

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Date
2025/07/26
Date Created
2014/04/25
Author
bensinclair