



3 Stocks to Watch This Week

Description

In a volatile week, the **Toronto Stock Exchange 300 Composite Index** (^GSPTSE) still gained 0.93% and managed to close at a new weekly record level. Among the bellwether stocks were **Canadian Pacific Railway**, which gained 6.5% after good results and dragged **Canadian National Railway** ([TSX: CNR](#))([NYSE: CNI](#)) along for an increase of 3.7%.

BlackBerry was a big loser during the week and lost 13% as **IBM** and **Apple** announced a joint venture to provide Apple products to IBM customers, which would compete directly with BlackBerry in the corporate market.

The main corporate results season is getting into full swing, with some of the larger companies reporting results in the coming week — the expected highlights are discussed below.

The second-quarter report card of Canadian National Railway will be compared to the excellent results reported by Canadian Pacific Railway last week. Canadian National is expected to report results on Monday, and consensus estimates indicate profits per share of \$0.97 compared to \$0.84 a year ago.

North American railroad volume growth rebounded in the second quarter with a 7% year-over-year increase after the weather impeded first-quarter results. Investors will be looking for a solid improvement in revenue and a containment of operating costs, although this may be difficult to achieve given the sharp increase in fuel costs. A good portion of the company's revenue is derived from transactions in U.S. currency, which will again support profit growth given the weaker Canadian dollar compared to same period a year ago.

Canadian National's share price has performed well over the past 12 months, adding 28% over the period. A valuation of around 20 times 2014 profits leaves little room for disappointment.

PotashCorp (TSX: POT)(NYSE: POT) is expected to report results on Thursday, and consensus estimates indicate a sharp decline in profits per share to \$0.45 compared to \$0.73 a year ago.

The company is struggling with lower prices for its key product, potash, and is also dealing with the overhang of a large underutilized production capacity. This resulted in a rationalization plan announced

in late 2013 and poor results in the first quarter. The second-quarter results are not expected to show much improvement despite stabilizing potash prices and improving fertilizer demand.

The company's share price has rallied by around 30% since the sharp drop in mid-2013 when the Uralkali/Belaruskali potash marketing arrangement fell apart. However, the stock valuation remains at a premium to its peers and any indication that it may not reach its declared 2014 revenue and profit targets will be met with a negative investor reaction.

Rogers Communications ([TSX: RCI.B](#))([NYSE: RCI](#)) will also report second-quarter results on Thursday, and the consensus expectation is a profit of \$0.85 per share compared to \$0.96 a year ago.

Its first quarter, the first full quarter overseen by the new CEO, Guy Lawrence, did not deliver inspiring results, with net income and cash flows considerably lower compared to the comparable period a year earlier. Investors should not be expecting any material improvement regarding the subscriber base for its important wireless business or the revenue per subscriber.

Key focus areas, apart from the normal operating metrics of subscriber additions and revenue per subscriber, will include early indications of the success, with the rollout of the newly acquired \$3.29 billion 700 MHz band spectrum as well as any significant changes implemented or planned by the new CEO.

Rogers's share price has been under pressure for the past 15 months and has declined by 20% over this time. Investors will be looking for early signs of improvement under the new CEO.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RCI.B (Rogers Communications Inc.)

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