



1 Secular Trend Every Canadian Investor Should Be Aware of

Description

Investors can easily get caught up in market hype and forget that patience and time are among the key attributes to successful investing. One of the best ways to invest for the long term is to identify secular trends and invest in the companies that stand to benefit from them.

These are essentially powerful long-term disruptive variables that fundamentally alter the social, economic, technological, industrial, and demographic landscape. They can be beneficial, but also highly disruptive for companies and investors alike.

A recent and prominent secular trend was the advent of digital photography, which pushed traditional film-based photography into terminal decline and forced one time blue-chip **Eastman Kodak Co.** into bankruptcy.

These trends can also benefit companies that are well positioned to take advantage of these changes. These are known as secular-growth stocks and they offer the opportunity for stellar returns while continuing to grow regardless of the fluctuations in the economic cycle.

Now what?

A secular trend that is gaining considerable momentum is the push to slow or stop global warming. This has triggered an increased regulatory response focused on reducing greenhouse emissions and increasing the amount of electricity generated from renewable sources.

Governments are implementing a range of policy options, including carbon taxes, ceilings on greenhouse gas emissions, and promoting the development of renewable energy. Coal-fired electricity generation has become a key target because it is one of the largest global emitters of greenhouse gases.

We can see this in Alberta, where the government is seeking to reduce coal-fired electricity generation by roughly a third over the next 15 years. In the U.S. there are proposed regulations that are targeting a 30% reduction of CO2 emissions from 2005 levels for coal-fired power plants by 2030. These types of responses will force the decommissioning of coal-fired plants as they become uneconomical to

operate.

Among those Canadian companies that could be the hardest hit are **Capital Power Corp.** and **TransAlta Corporation**. Both generate a considerable portion of their electricity output from coal-fired plants and are key operators in Alberta's electricity market, which will have some of Canada's toughest greenhouse emission requirements.

In order to fill the void, governments have instituted an array of renewable energy targets, with many like China focusing on rapidly increasing their installed solar and wind power generating capacity. It is forecast that both global solar and wind capacity will triple between now and 2020.

So what?

This is important news for investors. For example, the push for increasing solar capacity bodes well for silver miners, with it being a core component in the manufacture of the photovoltaic cells that make up solar panels. My preferred investment is silver streaming company **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW). It is attractively priced because its shares have plunged nearly 19% year-to-date. It is also a lower-risk play than silver miners because it doesn't operate any mines; instead, it provides financing in exchange for the right to purchase silver at prices well below the market price.

Another opportunity is **Brookfield Renewable Energy Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)), which has a renewable energy portfolio with 7,300 megawatts of capacity and an additional 2,000 megawatts of organic growth potential that will allow it to meet the uptick in demand this trend will create.

Both stocks, while being disparately different, are well positioned to benefit from the secular trend towards cleaner energy and, for this reason, are solid long-term investments.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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