



## Why Construction Stocks Are on the Rise

### Description

For Justin Trudeau's newly elected Liberal party, the honeymoon may not be over yet, but the big reception party certainly is. The Liberals walked out of the elections earlier this week with Justin Trudeau as the new prime minister and a majority government in parliament.

One of the major campaign promises made by Trudeau was to invest heavily to improve infrastructure around the country—a reported \$60 billion over the next decade. The Liberals believe so strongly that this is a priority that they are willing to run a deficit of \$10 billion for each of the first three years to get the program going.

Trudeau promised to dedicate funding to the provinces, territories, and municipalities, with a focus on social infrastructure—in other words, affordable housing, child care facilities, green infrastructure, and clean energy.

Let's take a look at some of the construction companies that will be impacted by these projects and what they mean for your portfolio moving forward.

#### **SNC-Lavalin Group Inc.**

**SNC-Lavalin Group Inc.** (TSX:SNC) is focused on engineering and construction, primarily with regards to power generation and metals and mining. Some of the high-profile contracts that the company has worked on include Calgary West Light Rail Transit, and Ottawa's Confederation Line, which is one of the largest rail transit initiatives ever undertaken.

SNC jumped nearly 2% after the Liberal victory, but has since lost some of its steam, settling near flat to where the stock was prior to the election.

The stock currently trades at just over \$43, off the 52-week high of \$49.06.

#### **Aecon Group Inc.**

**Aecon Group Inc.** ([TSX:ARE](#)) is the largest construction company in Canada, serving energy, mining,

and infrastructure segments. The company already has an impressive record of being awarded high-profile infrastructure contracts, such as the CN Tower, Vancouver Sky train, and Montreal's Trudeau International Airport.

Aecon jumped by 5% in the days following the election. The stock is now hovering near \$15, near the 52-week high of \$15.69.

Major infrastructure around the country is in dire need of upgrades, as most of the large capital projects of this scale were last worked on decades ago (when another Trudeau was living in Sussex Dr.). These projects will not only put more people to work, but will improve the economy and the country as a whole.

Companies that gain these potentially lucrative construction contracts will no doubt reap benefits and improved revenues. In my opinion, the current rally for these companies is short-lived, and the real rally that investors should be concerned with will occur once those contracts are signed and work is scheduled to begin.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:ARE (Aecon Group Inc.)
2. TSX:ATRL (SNC-Lavalin Group)

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