



Revealed: 5 Top Stock Picks From Desjardins Capital Markets

Description

When a major investment company issues a series of top picks, investors should pay attention.

Desjardins Capital Markets recently did just that, narrowing down the entire universe of Canadian stocks into five top picks for 2017.

The Quebec-based financial services giant is by far the largest cooperative financial group in Canada with \$260 billion in assets and earning nearly \$2 billion annually.

Compare that to **National Bank of Canada** ([TSX:NA](#)), which is widely considered the largest bank in the country that doesn't belong to the infamous "Big Five." National Bank has \$232 billion in assets and annual earnings of between \$1.5 and \$2 billion.

In short, Desjardins is a force to be reckoned with. Here are five of the company's top picks for 2017.

The top pick

Desjardins's top analysts are bullish on gold and even more so on **Goldcorp Inc.** (TSX:G)(NYSE:GG), which is one of North America's largest gold producers.

Interestingly, Desjardins doesn't think Goldcorp needs much higher gold prices for shares to do well. That would help, of course, but the company has other things going for it as well.

Costs should be down for a number of reasons. The weak Mexican peso will help costs in that country, and both copper and zinc prices — which account for about 10% of total revenue — look poised to be strong.

And cost savings from the company's Red Lake and Penasquito projects are expected to be formally reported to investors early in 2017.

Add all of those factors together, and Goldcorp's EBITDA could increase by 20%, even without the price of gold moving a nickel higher. If the yellow metal does cooperate, 2017 could be a fantastic year

for Goldcorp shareholders.

Other top picks

Desjardins is also a big fan of **Husky Energy Inc.** (TSX:HSE), which offers a terrific free cash flow yield, even if the price of oil doesn't really recover.

The company outlined this to investors in a recent presentation on its website. If oil averages US\$50 per barrel in 2017, Husky could generate up to \$4 billion in free cash flow. Husky has a current market cap of \$16.2 billion. That is one of the lowest valuations in the entire market.

Telecom giant **Telus Communications** (TSX:T)(NYSE:TU) also made the list. It impressed Desjardins with its growth in wireline services, while its peers have reported nothing but weakness from these services.

Telus is also doing a great job growing its wireless business through a combination of clever advertising and great customer service. It consistently posts lower churn — which is a measure of how many customers leave — than its competitors.

Desjardins also liked the company's discounted valuation versus its peers despite posting terrific dividend growth and share buybacks over the years.

Dollarama Inc. (TSX:DOL) was also a top pick. Desjardins liked the company's popularity with customers and a financial model that is "compelling and superior to that of its peer group." Management plans to open between 300 and 400 new stores over the next handful of years, which will nicely boost the bottom line. Desjardins also thinks the company will start accepting credit cards as a form of payment in 2017, which will lead to an increase in average transaction size.

And finally, Desjardins chose Quebec-based **Alimentation Couche Tard Inc.** (TSX:ATD.B) as its last top pick of 2017. The inclusion of the convenience store operator was two-fold. First, analysts like its focus on converting stores outside Quebec to the Circle K brand. And second, Couche-Tard's management team is second to none. Chairman Alain Bouchard is widely considered one of Canada's top executives.

The bottom line

When analysts are willing to shine the spotlight on themselves and come up with a series of top picks, investors should take notice. These aren't just short-term picks either. These are five of Canada's finest stocks — the kinds of companies that would make a fine long-term additions to any portfolio.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:DOL (Dollarama Inc.)
3. TSX:NA (National Bank of Canada)
4. TSX:T (TELUS)

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