Follow the Jobs Market to Profit Under Trump

Description

Turn your nose down at service jobs all you want, but if it weren't for the service sector, Alberta would be facing a much worse economic situation, and that's saying something for a province that is projecting a $10.8 billion deficit for the 2016-2017 fiscal year — $6.5 billion higher than Ontario, which itself is a financial mess.

While job numbers in the service sector hold their own in a Canadian economy, which is sputtering along, manufacturing and goods-producing jobs continue to drop despite a lower loonie; if Donald Trump has his way, that's only going to get worse.

In an uncertain business environment, as is the case moving into 2017, following the jobs market is the best way to profit under a Trump administration.

Service-sector stock **Loblaw Companies Limited** (TSX:L) just promoted Sarah Davis to president of Loblaw so Galen Weston can focus on the big picture for all the Weston companies. That's good news for shareholders because it was Galen Weston who pushed for the Shoppers Drug Mart acquisition — a transformative deal if there ever were one.

It's not surprising, given our aging population, that the biggest growth in service sector jobs has been in health care, where average hourly wages are actually higher than in manufacturing. So, at least based on this sliver of the Canadian economy, the fact that eight out of 10 Canadians work in the service sector isn't the doom-and-gloom scenario everyone thinks it is.

While grocery stores like Loblaw and **Metro, Inc.** (TSX:MRU) are always good investments because people have to eat, and except for **Dollarama Inc.** (TSX:DOL) and a couple of other general merchandise companies, I'd steer clear of retail at the moment; people just aren't spending except on cars and their homes.

So, what do we have in health care?

Canopy Growth Corp. (TSX:CGC)

While the Smiths Falls company is a manufacturer of medical marijuana, it also wholesales and retails the stuff, so it's a creator of both service jobs and goods-producing jobs. Canada needs more of these types of businesses because they really do benefit the economy in an amped-up way. Smiths Falls mayor Shawn Pankow would agree wholeheartedly, I'm sure.

More seniors are using medical marijuana to deal with the pain they face on a daily basis from the various ailments they suffer from. While investors see recreational marijuana as the big prize on the horizon, we shouldn't forget the seniors market is only going to larger as the population ages and medical practitioners become more comfortable recommending its use.

Sure, the excitement that ensued in November has subsided, but more good news will be coming

down the pike at some point in 2017, and when it does the stock price will reignite once more.

Extendicare Inc. (TSX:EXE.UN)

Although the company is best known for its long-term care facilities across the country, it also has a home healthcare division, ParaMed, which employs 11,800 people across the country who are helping our seniors population remain in their homes.

In Q3 2016, Extendicare's home healthcare business generated $11.3 million in net operating income (NOI) on $106.2 million in revenue — a NOI margin of 10.7%. For the first nine months of fiscal 2016, Extendicare's entire business generated $96.4 million in NOI on $783.9 million in revenue — a NOI margin of 12.3%.

The company, whose stock yields 4.7%, is looking to grow the private-pay portion of its business through ParaMed, its home healthcare division, and its growing number of retirement communities to complement the government-funded revenue at its long-term care facilities.

Given the demographics, your dividend should be very safe.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:EXE (Extendicare Inc.)
3. TSX:L (Loblaw Companies Limited)
4. TSX:MRU (Metro Inc.)
5. TSX:WEED (Canopy Growth)

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washworth

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