



RRSP Investors: Significant Upside Remains With Algonquin Power & Utilities Corp.

Description

Over the past month, shares of **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) have declined substantially. Investors are now attempting to understand which direction shares of the Canadian utilities company will move in the near term.

While the most recent decline, a drop of approximately 6% from the company's peak, represents a buying opportunity for some, many long-term investors looking for the best possible entry point in Algonquin have understandably waited on the sidelines to see if the sell-off has ended or if the slide has just begun.

Here's why I believe the most recent sell-off represents an excellent buying opportunity for RRSP investors to load up on shares of a utilities company which should expect continued outperformance in the long run, despite the most recent move by the Bank of Canada to hike interest rates.

Last week, Bank of Canada governor Stephen Poloz followed through with a highly anticipated interest rate hike — the first hike in seven years, following two rate cuts in the past two years resulting from lower commodity prices, which negatively impacted the Canadian economy.

The Bank of Canada determined that an interest rate hike would be in the best interest of Canadians, suggesting that while the Canadian economy has not yet shown full employment or hit its inflation target, leaving rates too low for too long may have negatively impacted the Bank's monetary policy ability moving forward and resulted in certain sectors of the economy overheating.

Rising interest rates are typically considered a very bad thing for certain industries, such as utilities or REITs, due to the fact that these high-yielding securities tend to move downward alongside bonds in period of rising rates.

With that in mind, investors will need to consider how likely additional rate increases are moving forward, as further increases would certainly negatively impact companies like Algonquin moving forward.

One more rate hike would get the Bank of Canada back to the 1% key lending rate — something which many analysts think is likely; however, the timeline of such a hike remains very uncertain.

Poloz has made comments in recent days following the most recent rate hike that the Bank of Canada must remain cautious to certain developments over the coming quarters in weighing additional rate hikes.

New developments with NAFTA negotiations as well as how commodity prices fare over the medium term will be key deciding factors in how the Bank of Canada decides to move.

Bottom line

Algonquin has performed well in a low interest rate environment, and I expect that interest rates will stay within the 0.75-1% range for the foreseeable future. Investors with a medium- to long-term view will be well served by loading up on Algonquin — one of the premier defensive securities available on the TSX today.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/18

Date Created

2017/07/17

Author

chrismacdonald

default watermark

default watermark