Picking Winners to Come Off 52-Week Lows

Description

The Canadian economy got a thumbs-up this week with the news that gross domestic product will grow at 4.5% for the year, much higher than expected. Pause for a moment with a collective sigh of relief that despite quite a perplexing start to 2017, things are looking up for the economy. The TSX will undoubtedly rally on this news, and it would seem reasonable to want to invest into Canadian companies.

default watermark

There are lots of stocks to choose from, especially considering the energy and REIT sectors, which have been beat up pretty good. The “yes,” “no,” and “maybe” list below points out a few things to consider when looking at low-achieving stocks in 2017 (based on the 52-week lows).

I’m excited about these stocks

Keyera Corp. (TSX:KEY) is within 2.6% of its 52-week low but looks to be rebounding after another quarter of solid earnings and a 4.5% dividend yield that continues to creep up. It has an average return on equity (ROE) which is respectable and typically in the mid-teens. This company has actually outperformed **Enbridge Inc**. in total returns over a 10-year period.

Enbridge Income Fund Holdings Inc. (TSX:ENF) is an Enbridge subsidiary that pays a 6.6% dividend. You buy this stock for the dividend. Current stock price is below the 200-day moving average and severely undervalued, so it is a bargain.

It’s a no for these low-hanging stocks

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is in the “no” category for a few meaningful reasons: 1) earnings per share (EPS) are consistently below average in recent quarters, and 2) the company has cut the dividend in three out of its four recent quarters. There are better choices in the oil and gas sector.

Don’t let the 6.6% dividend yield lull you into a false sense of confidence for **Crombie Real Estate Investment Trust** (TSX:CRR.UN). This diversified REIT has a cash flow problem and a debt-to-equity ratio that is going in the wrong direction. There are plenty of other solid REITs to consider.

Ambivalent on these

Boardwalk Real Estate Investment Trust (TSX:BEI.UN) is a residential REIT that pays a solid 5.6% dividend yield but has not really moved the dial in recent quarters. It had a breakout quarter a few years ago and has been mostly steady ever since. It now sits within 2% of its 52-week low. Although residential REITs tend to be solid picks, I am only lukewarm on Boardwalk.

Secure Energy Services Inc. (TSX:SES) operates in the oil sector by providing equipment and services. It is a definite maybe with earnings that have turned around in the last couple of quarters, a dividend yield of 3.2%, and a potential upside of 30%. A cautionary note is the high-volume trading that pushed this stock down in August.

Bottom line

The positive Canadian economic news is a welcome surprise. It may have an effect of increasing buoyancy across the TSX, hence the expression “a rising tide lifts all boats.” But be weary of dud picks.

default watermark

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
3. TSX:CRR.UN (Crombie Real Estate Investment Trust)
4. TSX:KEY (Keyera Corp.)
5. TSX:SES (Secure Energy Services)
6. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/06/29
Date Created
2017/09/07
Author
bmacintosh

default watermark

default watermark