3 Stocks Primed to Take Off in 2018 and Beyond

Description

The S&P/TSX Index has increased 3.24% in 2017 as of close on October 18. The Canadian economy faced some major challenges in the first half of 2017, but GDP growth and job numbers remained strong. The market seemed to finally catch up to the good news in September, powered by an impressive earnings season from Canadian banks, a bounce back in oil, and a big boost in investor sentiment for the cannabis industry.

As we head into the final months of 2017, let's look at three stocks that could see big returns in 2018.

Linamar Corporation

Linamar Corporation (TSX:LNR) is the second-largest Canadian vehicle parts manufacturer. The stock has climbed 38.1% in 2017 and 45% year over year. Vehicle production has stagnated in North America and Europe in 2017, but Linamar has made a significant pivot to the Asian market. CEO Linda Hasenfratz aptly pointed out in a July 2017 interview that 80% of global vehicle sales happen outside North America.

Linamar has a significant stake in the ongoing NAFTA negotiations. During the fourth round of negotiations, the U.S. delegation laid out a demand that the U.S. proportion of auto sector content be pushed from 62.5% to 85%. This was dismissed out of hand by Canadian and Mexican officials. If NAFTA is scrapped, the Trump administration has floated the possibility of a bilateral U.S.-Canadian agreement which should mitigate shocks to Linamar and other Canadian manufacturers.

Linamar offers a dividend of $0.12 per share, representing a 0.60% dividend yield.

Stantec Inc.

Stantec Inc. (TSX:STN)(NYSE:STN) is an Edmonton-based professional services company specializing in design and consulting. Shares have increased 5.5% in 2017 and 16% year over year. The Canadian and U.S. governments have both laid out intentions to make major investments in infrastructure over the course of the next decade.

The company released its second-quarter results on August 9. Revenue climbed 26% to $1.3 billion compared to $1.05 billion in Q2 2016. Net income experienced 360.4% growth to $97.6 million compared to $21.2 million in the second quarter of 2016. EBIDTA increased 114.5%, and diluted earnings per share were up 325%.

Leadership pointed to a strong quarter in buildings as well as growth in water and infrastructure. The stock also offers a dividend of $0.12 per share with a 1.4% dividend yield.

Home Capital Group Inc.

Home Capital Group Inc. (TSX:HCG) is a Toronto-based holding company that provides credit services. Home Capital Group continues to rebuild after the company appeared to be at real risk of dissolution in the spring of 2017. The stock has fallen 56.9% in 2017 and 44% year over year. On October 16, the company announced it would sell its payment processing and prepaid card business to generate savings.

The mortgage industry will face some pressure in the latter months of 2017 and the beginning of 2018 with new mortgage rules set to add stress tests for uninsured buyers. After a significant correction following the Ontario foreign buyers' tax and a plethora of other new regulations, I like Canada housing to bounce back next year. After a brutal 2017, Home Capital Group stock has been largely flat since late July. At its current price, I really like the stock as a sneaky play heading into 2018.

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Date
2025/06/28
Date Created
2017/10/23
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