What the Earnings of 1 Company Say About the Country

Description

Last week, **AutoCanada Inc.** (TSX:ACQ) announced quarterly earnings, which sent the stock from less than $24 per share to a high of $26 per share. Although a $2 increase (or approximately 8.5%) may not seem like much to many investors, the turn in fortunes for this company may signal a resurgence of western Canada's economy.

For those not in the know, AutoCanada is a holding company which owns multiple car dealerships across the country and with a concentrated number located in Alberta. Many years ago, the company was a darling stock to own, as it went on a massive acquisition spree, but it has since fallen on hard times. Although oil prices were significantly elevated, leading to higher amounts of disposable income, the cold, hard reality of lower oil prices set in some time ago, as massive layoffs became the norm and the sale of new cars to Albertans grinded to a halt.

For the second quarter, revenues increased year over year by 6.25%, and operating income did even better, increasing by 63%, as the company is very successful in using its resources productively as sales increase.

Another huge opportunity for investors is in shares of another Alberta-based company called **Canadian Western Bank** (TSX:CWB).

Over the past half year, shares of Alberta's biggest local financial institution have increased by almost 20%, as borrowing in the economy has turned the corner, allowing the bank to receive a higher amount of interest income as its capital continues to be put to better use. Although the economy, which is hugely driven by oil, has yet to reach its former peak, the worst is clearly over. Consumers have adjusted to the new norm and are again borrowing money to buy new vehicles in increasing numbers.

As the province of Alberta previously led the Canadian economy higher through difficult times over many years due to the booming oil industry), investors can again find confidence in the resurgence of Canada's richest province.

Although many believe that higher oil prices will limit disposable income to Canadians, it is important to realize that as an oil-exporting country, Canada has much more to gain from higher oil prices than it has to lose. Although consumers may find things difficult, the reality is that the government will take in significantly more tax revenues from the profits of many oil companies which are currently lacking.

For those not looking to take a concentrated risk on Alberta, there are still significant opportunities which are more diversified but will enjoy considerable upside from a stronger Alberta. Shares of **Dream Office Real Estate Investment Trst** (TSX:D.UN) have been under substantial pressure, as the office REIT owns several properties in the province, which have dragged the unit price down substantially. Although the company has remained cash flow positive due to its Ontario-based properties, vacancies have been high in the west. In the hopes that office rentals will follow car sales, investors may want to take a serious look at this name.

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