



Canadian Q3 GDP Reaction: 3 Stocks to Buy or Sell

Description

Statistics Canada released GDP growth for the third quarter and September 2017 on December 1. Growth in real GDP was 0.4% in the third quarter, which is down from 1% in Q2 2017. Household spending rose 1% in the quarter, while exports fell 2.7%. Exports of goods declined 3.4% after three consecutive quarters of growth.

A slowdown was expected by economists in the second half of 2017, as the Canadian economy grew at a torrid pace in the first six months of the year. Experts and analysts are anxious to see how new mortgage rules will impact housing and the economy at large in January 2018.

Let's look at three stocks that investors should keep an eye on in light of the information in this latest report.

Sell: AutoCanada Inc.

AutoCanada Inc. ([TSX:ACQ](#)) stock has climbed 3% in 2017 as of close on December 8. Shares have dipped 1.5% month over month, even after a stellar third-quarter report. Revenue jumped 10.8% to \$834.6 million in Q3 2016, and gross profit rose 12.2% to \$138 million. In late October, I'd [discussed](#) why record vehicle sales and ongoing NAFTA negotiations should keep investor attention on automotive stocks.

Statistics Canada reported a 9% decline in exports of motor vehicles and parts in the third quarter. Passenger cars and light trucks fell by 11.7%. Although these numbers should not necessarily concern AutoCanada, which operates automobile dealerships, the dip is worrisome heading into a year that could see NAFTA scuttled. The disruption from such an event could see automobile prices rise significantly in the short term.

Buy: ATS Automation Tooling Systems Inc.

ATS Automation Tooling Systems Inc. (TSX:ATA) designs and builds factory automation solutions. The stock has increased 25.8% in 2017. In early September, I'd [covered](#) why investors should be targeting companies that are providing and adopting automation solutions. Statistics Canada reported

a 1.5% increase in investment in machinery and equipment in the third quarter.

A study of 46 countries by the McKinsey Global Institute estimated that automation could take 800 million jobs around the world by 2030. ATS Automation released its fiscal 2018 second-quarter results on November 8. Revenues rose 13% to \$274.9 million. The company posted earnings from operations of \$23.9 million compared to \$17.3 million in fiscal Q2 2017. Year to date, the company reported net income of \$25.3 million compared to \$20.6 million in the prior year.

Buy: Constellation Software Inc.

Constellation Software Inc. ([TSX:CSU](#)) is a Toronto-based software company that provides services to the public and private sector in Canada. Constellation Software stock has climbed 28.6% in 2017. Statistics Canada reported that intellectual property products increased 0.7% in the third quarter, with software posting 1.7% growth.

Constellation Software released its third-quarter results on October 26. Revenue jumped 17% to \$637 million, and net income fell 20% to \$54 million. Adjusted EBITDA climbed 15% to \$162 million in comparison to \$140 million in the third quarter of 2016.

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3. TSX:CSU (Constellation Software Inc.)

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