3 Stocks That Could Catch Fire After the Cold Wave

Description

Ontario and much of North America was hit by a wave of frigid temperatures that lasted from late December into the first two weeks of January. Extreme cold weather warnings were in effect across Canada. Meteorologists had to go back to the early 1990s to find examples of a cold spell this early and intense.

In early January, urban and rural areas in central Ontario saw wind chill values dip below 35 degrees Celsius and, in some cases, below 40 degrees Celsius. Canadian health departments issued advisories with risks heightened for the homeless, those in outdoor work, as well as the elderly and infants.

With the cold spell dissipating late into the second week of January, we can take a look at stocks that may benefit from the unusually frigid spell.

Hydro One Ltd. (TSX:H)

Hydro One is a Toronto-based utility that services the province of Ontario. The stock declined 1.08% on January 10 and has dropped 2.2% so far in 2018. Canadians staying indoors and cranking up the heat is undoubtedly good news for utility companies, especially after a third quarter that limited Hydro One due to a milder summer.

Hydro One is expected to finalize its acquisition of **Avista Corp.** in 2018. This will give it access to over 700,000 U.S. customers going forward. Colder weather may push up utility use, but higher interest rates may also be a concern for holders of utilities. In any case, Hydro One offers an attractive quarterly dividend of $0.22 per share, representing a 4% dividend yield.

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS)

Canada Goose stock has climbed 3.4% in 2018 as of close on January 10. Canada Goose manufacturers high-quality winter clothing, which is marketed as being able to endure the harshest climates in the world. The winter coat maker entered the holiday shopping season after reporting impressive growth in its wholesale and direct-to-consumer revenue in the fiscal 2018 second quarter.

With the cold snap sweeping across the Christmas holiday and into the new year, Canada Goose is likely to see even greater customer interest than usual. The stock has surged 55% in a three-month span, but I still count it as a solid buy ahead of its fiscal 2018 third-quarter earnings.

Canadian Tire Corporation Limited (TSX:CTC.A)

Canadian Tire stock has increased 1.9% in 2018 thus far. In previously harsh winters, Canadian Tire has seen a marked increase in shoppers looking for winter equipment for cars or homes. However, this cold snap has been a short-lived affair in comparison to the 2014 North American cold wave that was caused by a southward shift of the North Polar Vortex.

Disregarding the cold temperatures, Canadian Tire posted impressive third-quarter results. Diluted earnings per share rose 5.9% to $2.59, and the company posted consolidated same-stores sales growth of 3.9%. Canadian Tire also announced a quarterly dividend of $0.90 per share, representing a 2.1% dividend yield.

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
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4. TSX:H (Hydro One Limited)

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