These Stocks Are on Sale Now: Is Quality There to Back Them up?

## Description

Several Canadian banks have indicated they will increase lending rates in advance of an interest rate hike. Times like these reinforce the value of paying down your mortgage with extra payments.



Why? There are two amazing reasons.

First, extra payments mean saving over the long haul. An added $15,000 each year on a $400,000 mortgage will shave off $26,000 in interest over 10 years later (using 3.5% as the interest rate). You pocket 17% of those mortgage top-ups at the 10-year mark.

Second, although your principal house should not be viewed as an investment, it appreciates in value tax free, because you do not have to pay capital gains when/if you sell. It's like a TFSA made out walls, a roof, and maybe even a garage!

So, let's say you've made that annual mortgage top-up and you're ready for new investments. **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **BCE** (TSX:BCE)(NYSE:BCE) are examples of core holdings. Buy them when you are feeling flush, whereas buying shares in other companies may require more thought. Let's dig into two companies that are bargains now.

**Northland Power Inc.** (TSX:NPI) is a utility company, providing electricity power through natural gas and renewable sources. I consider it a bargain simply because it is within its 52-week low. But wait, I have more to say!

Northland generated some of its highest earnings in the trailing 12 months to the tune of $1.2 billion earnings before interest, taxes, depreciation, and amortization. The bump in operating cash flow means there should be no trouble covering the $1.08 annual dividend payment — a solid 4.57% yield. Dating back a decade, Northland's dividend payment has been fairly unremarkable (read: flat).

Next, have you looked at Northland's chart?  The next little while will be pivotal, because the share price has hit the same bottom four times in 2017. This is generally a bearish sign. This stubborn price around $22 is being held up likely because this is where company insiders have historically bought shares. Going forward, the earnings estimates are fairly flat, no doubt contributing to the lack of price momentum. Northland is not likely to have any blow-out quarters in 2018. A semi-contrarian and small-risk play would be to buy this stock now with a close stop loss.

Home owners will be familiar with **Enercare Inc.** (TSX:ECI); this company provides essential home services like water heater, furnace, or air conditioner rentals. As a client, you generally deal with Enercare when something has gone wrong. It's a slightly unfashionable investment. But how does 2018 look? The chart looks good, well … better than Northland. The share price moved up sharply to start off 2017, then mostly retreated to end the year.

EnerCare pays a similar dividend yield to Northland (4.65%) and is also trading at a support level: another sensible buy point. Earnings are expected to increase 40% in 2018 — a positive sign. What makes me a bit nervous is the news that Enercare's CFO Evelyn Sutherland resigned this month; she's exercised her stock ownership and is cashing out. Sutherland is well regarded, so this is a blow to management. But it's likely not enough to hurt Enercare's chances of delivering another great year to shareholders.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:NPI (Northland Power Inc.)
5. TSX:RY (Royal Bank of Canada)



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