



3 Top Momentum Stocks That Will Beat the Market

Description

The three stocks below cover a range of valuations, but all have shown strong momentum amid a volatile and choppy market. I'm predicting that each will continue their upward trend and will be market-beating picks for 2018.

First up is **Constellation Software Inc.** ([TSX:CSU](#)). This software stock is one I hope to own one day. Over two years, shareholders have been rewarded with a 65% total return, massively beating out both the TSX and S&P 500 (17% and 33%). Constellation continues to be on an [absolute](#) tear, having just reached an all-time high.

The valuation tends to be high for this tech stock — the main reason I haven't loaded up on shares. One useful metric is the enterprise value to earnings before interest, tax, depreciation, and amortization (EV/EBITDA). It is a way to compare the growth in stock price (enterprise value) relative to unclouded earnings. An EV/EBITDA below 12 is considered cheap. Constellation is currently at 24.5 (yikes), which is above its five-year average. It would require roughly one quarter of sideways share price movement for EV/EBITDA to be very attractive. It may happen. I'll be watching but won't hold my breath.

Second is **Northland Power Inc.** ([TSX:NPI](#)). This energy stock is attractive to own because it builds, owns, and operates green energy — a growing business. Revenues from the most recent quarter were \$395 million, which was the best quarter for the year and part of an overall upward trend. Shareholders also get \$1.20 in dividend payments annually per share — a 5.25% yield that appears to be quite safe given that earnings are expected to *double* in 2018 from the previous year.

Northland is also currently at the lower end of its EV/EBITDA range — a sign of value.

"The trend is your friend" is an expression that applies well to Northland, since the share price is now in a steady upward trend.

Third is **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)). This company has a strong hold in the automotive parts sector. Despite its largess, the company continues to redefine its business. The company secures great deals by slotting itself into various vehicle productions. Will Magna help make

the Model 3 **Tesla** car, for instance? Wouldn't that be a boon?

Investors know that Magna trades with a low valuation, which is typical for this sector. That the earnings trajectory seems to go only upward, the strong dividend history, and the consistently fair price multiple are three reasons to own Magna. These are things I personally look for in an investment, which is why I own Magna shares.

There has been a lot of solid coverage on Magna's recent [news](#), so I will only add a technical comment. The share price rose steeply, once on February 27 and again on March 15 before closing at \$74.45 at the time of writing. This is a new all-time price high for Magna, and there are reasons to think this trend will continue.

EV/EBITDA (with five-year ranges)

Symbol	Current	Min	Max	Mean
CSU	24.5	12.7	27.7	19.8
NPI	11.5	6.2	196.1	35.2
MG	5.8	3.8	8.0	6.0

Source: *Ycharts.com*

Take-home message

These three companies are solid investments and will likely beat the market in 2018. Depending on whether you are looking for growth, dividends, or value, you have three choices in Constellation, Northland, and Magna.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:NPI (Northland Power Inc.)

PARTNER-FEEDS

1. Msn
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Date

2025/08/24

Date Created

2018/03/26

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