Betting on a TSX Resurgence? Buy These 3 Bargain Stocks

Description

The S&P/TSX Composite Index has limped into the month of April after finishing the first quarter of 2018 as one of the worst performing global exchanges. David Rosenberg, chief economist at **Gluskin Sheff + Associates Inc.**, wrote that the TSX could provide an incredible bargain for investors. “The discount that the Canadian stock market trades at is epic,” Rosenberg wrote in an article on April 13, “and must be mouth-watering for any global fund manager.”

Canadian bank stocks continue to be highly attractive for investors betting on a TSX rebound. However, let’s take a look at three potential bargains that could benefit from a resurgence in Canadian equities in the latter half of 2018.

Alimentation Couche-Tard Inc. (TSX:ATD.B)

Alimentation is a Laval-based company that operates convenience stores around the world. Alimentation stock has plunged 18.4% in 2018 as of close on April 16. Shares are down 11.9% year over year.

The company was battered after third-quarter results saw U.S. fuel costs bring down profits, but earnings were positively impacted by a $182.2 million net tax benefit from the U.S. Tax Cuts and Jobs Act. The impacts of Hurricane Harvey also weighed on earnings in Q3. Alimentation has been optimistic about the impacts of minimum wage hikes in Canada in 2018.

Shares offer a modest dividend yield, but new store openings and the long-term impacts of tax reform should bode well for growth going forward. Its sharp drop in March provides an enticing buying opportunity.

IGM Financial Inc. (TSX:IGM)

IGM Financial stock has dropped 16.4% in 2018 thus far. Shares are down 6.5% year over year. I'd warned in late March that IGM would continue to be susceptible to market volatility going forward. The company is also wrestling with changing investor trends that have seen outflows from mutual funds,but IGM has established a footprint in the ETF market.

In the fourth quarter of 2017, adjusted net earnings were $191.4 million compared to $199 million in the prior year. IGM reported record net sales of $4.8 billion in 2017. On April 3, IGM announced investment fund sales and total assets under management. Ending March 31, 2018, total assets under management were $155.8 billion compared to $156.4 billion at February 28, 2018.

A resurgence in the TSX would be good news for IGM, as Canada has suffered from capital outflow in recent months. The stock also offers an attractive dividend of $0.5625 per share, representing a 6.1% dividend yield.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN)

Algonquin Power & Utilities is an Oakville-based renewable energy and regulated utility company. Shares of the company have dropped 12.3% in 2018 so far and are down 3.9% year over year.

The company posted impressive financials in the fourth quarter and full year 2017 but still holds a troubling amount of debt, which is the biggest obstacle for would-be buyers. Annual adjusted EBITDA soared 85% to $883.4 million according to its fourth-quarter report. Algonquin also offered an annual dividend of $0.61 per share, representing a 4.9% dividend yield. After an early year plunge, I like Algonquin's growth potential enough for a speculative buy today.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
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Date
2025/09/17
Date Created
2018/04/17

Author
aocallaghan