Dollarama Inc. and National Bank Stocks Are at or Near 2018 Lows: Is it Time to Buy?

Description

The S&P/TSX Composite Index rose 52 points on April 17 to extend its winning streak to four straight trading days, though gains have been relatively modest. Energy stocks once again provided a boon for the index, in addition to momentum in the tech sector. This comes ahead of the Bank of Canada's interest rate decision, which will be held today.

Today, we will look at two top TSX stocks that have suffered with the broader index so far in 2018. Both sit at or near lows for the year. Is it time to buy?

Dollarama Inc. (TSX:DOL)

Dollarama is a Montreal-based company that operates dollar stores across Canada. It is currently the largest dollar store retailer in the country. Shares of Dollarama have dropped 4.9% in 2018 as of close on April 17. The stock is still up 26.7% year over year. Dollarama released its 2017 fourth-quarter results on March 29.

In the fourth quarter, EBITDA increased 12.2% year over year to $253.8 million, and comparable store sales grew 5.5%. Dollarama also opened 25 net new stores in Q4. For the full year, Dollarama saw sales jump 10.2% to $3.26 billion and EBITDA climb 17.5% to $826.1 million. The company plans to open net 60-70 new stores in 2019. The decision to accept credit purchases in the middle of 2017 has driven positive results at stores thus far and is expected to continue into this fiscal year.

Dollar stores in North America have not only come out of the so-called retail apocalypse unfazed, but they're in a stronger position than ever. In addition to its impressive growth this decade, Dollarama also offers a modest dividend of $0.12 per share. Investors betting on a resurgence in the TSX should look to Dollarama to challenge its 2018 highs in the spring and summer months.

National Bank of Canada (TSX:NA)

National Bank is the sixth-largest major bank in Canada. The Montreal-based bank has seen its shares fall 5.5% in 2018 so far. It is worth revisiting Canadian banks as the next round of earnings loom.

In the first quarter of 2018, National Bank saw net income in its personal and commercial banking segment rise 11% to $230 million. Broader economic conditions have complicated investor outlook for Canada's major banks. The Canadian housing market has cooled down significantly to start 2018, as was expected when new OSFI mortgage rules were introduced. Industry experts are concerned that further rate tightening could delay a rally in the market, but this could also improve margins for lenders.

However, hiring has remained strong, and a report released in early April showed that Canada created 32,000 jobs in March. GDP shrank 0.1% in January, but Canada is still expected to be one of the leaders in growth in the G7 this year.

National Bank also offers a $0.60 dividend payout, representing a 4% dividend yield. Financials have suffered on the TSX but are entering oversold territory. National Bank offers enticing value ahead of its second-quarter results.

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