



These 2 Stocks Could Be Impacted by the Ontario Election

Description

The June 7th Ontario provincial election promises to be one of the most brutal and contentious in living memory. Liberal premier Kathleen Wynne has said that it will be a “vicious campaign.” She has compared her chief rival, Ontario Progressive Conservative leader Doug Ford, unfavourably to U.S. president Donald Trump. This came after Doug Ford suggested that Liberals risked jail time for the mismanagement of taxpayer funds.

Polling in 2018 has revealed a strong lead for the Ontario PC party and Doug Ford. Polls released in April from Ipsos, Abacus Data, and others have shown a consistent double-digit lead for Ford’s party. For investors outside Ontario, there are good reasons to pay attention, as policy shifts and promises of retribution could impact both of the following stocks.

Hydro One Ltd. ([TSX:H](#))

Hydro One stock has [dropped 7.2% in 2018](#) as of close on April 19. However, shares have climbed marginally month over month. The Ontario utility has been a consistent political target since its privatization. However, this election has seen some of the most ferocious attacks against Hydro One leadership yet.

In early April, Doug Ford vowed to fire Hydro One CEO Mayo Schmidt and its entire board of directors if he is elected in June. Recently, the board of directors approved changes that would make it costlier for the government to intervene by increasing the severance paid to the CEO in the event of a dismissal. The move is not directed solely at the threats from Ford, as the Ontario Liberals have also taken an active role in the province’s energy market. NDP leader Andrew Horvath, whose party is polling a close third behind the Liberals, has put forth a plan to buy back 100% of the utility.

Hydro One leadership has reportedly become concerned that government interference could impact profitability going forward. Ford attacked the company following the news; he called the changes “outrageous” and demanded that the board resign. Hydro One has declined to comment.

Home Capital Group Inc. ([TSX:HCG](#))

Home Capital stock has plunged 20.7% in 2018 thus far. Canada housing has cooled down dramatically to start 2018, with a downturn in the Greater Toronto Area in sales and prices leading the way.

New OSFI rules that included a stress test on uninsured buyers have predictably slowed down activity. In 2017, Home Capital projected that loan growth would be negatively impacted by the new rules. Originations in the fourth quarter fell dramatically from the previous year due to internal restructuring following Home Capital's crisis in spring 2017.

The populist Doug Ford campaign has also branded itself as pro-business. Doug Ford has vowed to eliminate the recently instituted foreign buyers' tax in Ontario, which could have a [positive impact](#) on overall activity. Interestingly, the institution of the tax was popular among Ontario voters, which calls into question whether eliminating it would indeed wash with the "populist" agenda of Ford.

In any case, the move to scrap the tax could potentially light a fire under the market in the latter half of 2018 and beyond.

CATEGORY

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1. TSX:H (Hydro One Limited)
2. TSX:HCG (Home Capital Group)

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