

Is Bombardier Inc. Stock Poised for Another Leg Up?

Description

As the markets struggle to find direction, one of Canada's chronic underperformers is emerging as one of its brightest stars. I would forgive anyone who had [written off Bombardier Inc. \(TSX:BBD.B\)](#) as anything but a losing proposition. The company's long-term chart is far from pristine and most investors have lost money on their investment in the company. But that was then, and this is now.

Over the past two years, the company has [handily outperformed](#) the TSX. Its share price has more than doubled and year-to-date it has returned an impressive 35%. The company has a new CEO and a renewed focus. Can Bombardier extend its recent run?

Short squeeze

Bombardier has been one of the highest shorted companies on the TSX over the past several years. However, its recent outperformance is due in part to a short squeeze. From March 15 to March 31, 2018, the company's short position decreased 138%, decreasing further in the most recent TMX short position list released on April 16.

Although it is still one of the heaviest shortage stocks on the Canadian market, the recent short coverings have been bullish for the stock. As Bombardier's short position continues to decrease, its share price should continue to rise.

Insider trading

Despite the share price run-up in 2018, there hasn't been a single insider to sell shares on the open market this year. On the flip side, Douglas R. Oberhelman, an Independent Director and former Caterpillar CEO, purchased 100,000 shares on the open market near the end of March at a price of \$3.75 per share. This type of acquisition on the open market combined with the lack of dispositions is a sign of confidence by insiders.

Technicals flashing bullish

Over the past few days, the company has been flashing a couple of technical bullish signs. For starters, it recently crossed its 50-day moving average, which is considered a positive sign. It also recently crossed above its MACD signal line, which is another short-term bullish indicator. Finally, the momentum indicator is trending upwards, and its price trend is indicating strong positive momentum over the short term. In the past week, Bombardier had six short-term and three intermediate-term bullish technical signals.

Recent news

Bombardier has also been in the news for positive reasons as of late — a nice change of pace. Its rail division recently won an \$867 million dollar contract to supply 200 Bombardier TRAXX diesel locomotives in Germany. Likewise, it is rumoured to be bidding on an upcoming New Jersey Transit rail

car deal. The deal is potentially worth billions, and another win would no doubt reaffirm company momentum.

Investor sentiment notwithstanding, investors can't deny that the company is riding a wave of positive momentum. Look for the company to post another leg up over the short to medium term.

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Date

2025/07/04

Date Created

2018/04/25

Author

mlitalien

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