



## Top Small-Cap Stocks to Snap Up Before They Gap Up

### Description

You've seen it before — sharp gaps up or down that occur without any trading taking place in the interim. While these phenomena can be hard (or impossible) to predict, it's worth keeping an eye out for possible market gaps and being ready to take advantage of them when they happen. But which stocks should you be watching? Let's take a look at a few small-cap superstars to low-key stalk for gaps.

#### The trick is to pounce before the stock gap opens

We're going to talk about what to do and which kinds of stock to watch in the possible event of gapping up. Obviously, if stock you are *already* holding has just gapped up by a significant amount, and they're not long-term equities, then it may be time to sell high and celebrate.

But right now, let's talk about what to do if it looks as though a stock is *about* to gap up. The first thing to keep in mind is that you're generally looking to make small, fast profits with this kind of game. It's risky business, so you don't want to bet the house. That said, playing the gaps can be part of a [healthily diversified portfolio](#).

#### Keep an eye on companies that are about to post favourable earnings

How do you do this? Well, we've identified a few for you below, but generally the idea is to watch sectors that have been undervalued and look set to report increased profits. To give you an idea, here are a few small-cap stocks we've plucked from the summer 2018 earnings calendar that fit the bill.

**Uranium Participation Co.** (TSX:U) is due to fess up about how it's been doing June 26. Chances are it will have good things to report, as the materials sector has started to pick up, seeing a recent rise in the share price. You can expect to see this jump if the figures are good.

**West Fraser Timber Co Ltd.** (TSX:WFT) is a large-scale timber production company with an earnings report due out July 18. With shares outperforming the TSX by over 50% over the last year, it's safe to say the outlook is good for this one.

**Encana Corp.** (TSX:ECA)(NYSE:ECA) will post its earnings July 19, so keep an eye out because the forecast is good. Honestly, this is [one to buy anyway](#), but get in before the rush. It's a gas and oil heavy-hitter that produces, ships, and sells, and it can either be sold high for a quick buck or held on to for the dividends.

**Husky Energy Inc.** (TSX:HSE) is a nicely diversified oil and gas operator spread across Canada, the U.S., the Asia Pacific area, and the Atlantic area. The energy sector is still oscillating, but things are looking good for this major Calgary-based energy giant. Earnings will be reported July 20.

Timing is everything when you play the gaps. Once you've identified which stock you fancy, you'll have to be quick off the mark. After-hours trading is the name of the game here. You'll be buying at the price the stocks were listed at the day that positive earnings were reported, so when the sun rises on the next trading day, you might be sitting on a nice little earner.

This doesn't always happen — in fact, it's relatively rare — but when it does you can see a nice little spike in your stock's value. While trades can, of course, go bad, a quick profit can be yours if you brush up on gap-trading strategies and get the timing right.

### The bottom line

Keep in mind that the stocks suggested above may not gap up (or down), and that while favourable reports may be expected, they may not materialize. Report dates can also change, so watch out! That said, Encana is one to peep when it posts its earnings — or you can snap up that stock now for a decent dividend to rely on long term. If you do your homework and have a steady hand, snapping up stock before they gap up may well pay off for you.

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1. Editor's Choice

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