Do These 2 Stocks Have Any Hope of Entering Positive Territory in 2018?

Description

Odds of a second rate hike in 2018 dropped after Statistics Canada released CPI and retail data in May. Inflation in April fell to 2.2% compared to 2.3% in March, but it remains within the target area for the central bank. Retail sales also rose 0.6% in March. The fact that odds dropped to 28% from 40% is indicative of how dovish the Bank of Canada has grown since its January move.

Today, we are going to look at two stocks suffered in 2018. This is largely due to the struggles of the company's respective industries. Will this continue unabated throughout the year, or is there a chance of a rebound in the latter half of 2018? Let's take a look.

AutoCanada Inc. (TSX:ACQ)

AutoCanada operates car dealerships in Canada and has seen shares take a sharp tumble in recent weeks. The stock has dropped 22.8% in 2018 as of close on May 22. Shares are down 18% month over month. This occurred in spite of relatively positive first-quarter results.

Revenue in the first quarter rose 4.6% year over year to $562.1 million, and the company reported same store gross profit of $95.5 million, which was up 1% from Q1 2017. Same-store vehicle sales rose 3.1% from the prior year to 11,407 units. However, the broader picture for automobile sales in recent months has not inspired confidence.

For the second month in a row, vehicle sales fell in April. The month saw sales of 191,856 vehicles, which represented a 2.7% drop from April 2017. David Adams of Global Automakers of Canada (GAC) attributed softer sales to cooler weather in the early spring. Investors will get their first look at May numbers in early June, which will put this theory to the test.

Equitable Group Inc. (TSX:EQB)

Equitable Group is a Toronto-based alternative lender in the real estate sector. Shares of Equitable Group have plunged 20.7% in 2018 so far. The stock is still up 14.4% year over year on the back of its impressive rally in the last months of 2017 following the crisis at **Home Capital Group Inc.**, which spread to the entire sector.

First-quarter results for Equitable Group were not as promising. Net income fell 7% from Q1 2017 to $40.2 million, and diluted earnings per share dropped 8% to $2.34. Mortgages under management managed to hit another record of $23.8 billion, which represented a 9% increase from the same period in the prior year. The company hiked its dividend by 4% to $0.27 per share, representing a 1.7% dividend yield.

The housing market in Toronto and Vancouver has suffered in 2018 so far, casting a shadow over the real estate industry at large. Most of the blame has been thrust on new OSFI mortgage rules, which included a stress test for uninsured buyers, instituted in January 2018.

Can these industries, and stocks, bounce back in 2018?

Auto sales pulled off successive record years, and with higher interest rates and creeping debt, it is reasonable to expect a pullback this year. Investors on the fence about buying low on AutoCanada should be watching for May auto sales numbers closely in the beginning of June.

Equitable Group boasts a solid dividend, and Canada housing is going through a healthy retreat right now. Loan growth will suffer due to new regulations, but lenders are also projecting record retention rates in 2018. I like Equitable Group over AutoCanada as we head for the midpoint of 2018.

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