



Industry Data Suggests This Canadian Stock Could Skyrocket by Year End

Description

While it's crucial to focus mainly on company-specific factors in your stock analysis, it can pay major dividends to keep an eye on how a company's peers are doing and what the overall sentiment of the industry is at a given point in time.

Cross-sectional analysis, the study of a population data at a specific instance in time, can help you get the edge over those who aren't capable of seeing the bigger picture at a given point in time.

By paying attention to industry-wide trends, events, and the broader peer group, you can gather valuable pieces of econometric data that the general public may not know how to digest promptly. And that's where the opportunity lies, as Mr. Market temporarily becomes inefficient in his pricing of individual securities.

If you're able to interpret brand new cross-sectional data quickly, you can bolster your investment thesis well before most analysts on the Street have the opportunity to express their views publicly. After they're able to publish their opinions on the event, though, it's likely the general public will respond hastily to the temporary inefficiency in market pricing of affected securities.

Public data that's hiding in plain sight can help you crush the markets, assuming you have the experience to interpret the information correctly.

You don't even need to be precise with the magnitude of materiality for a given industry event either. You just need to spot a sentiment discrepancy in a stock and have the confidence to place your bets quickly before shares correct to more accurately account for the more bullish event.

While it's true that markets react with lightning speed to news events, it's also true that the general public may not know precisely how "positive" an event could be.

Thus, the magnitude of an upside or downside correction in response to an event could be too large or too small. And if the sentiment was overwhelmingly negative for a prolonged duration of time before the release of a news event, Mr. Market may be confused with the exact pricing — at least until analysts can clear away the cloud of uncertainty by confirming both the direction and magnitude of

upside (or downside) that an event should invoke on specific stocks within an industry.

The performance of the broader industry or a peer group is no guarantee of success for the individual company under question. So, investors ought to ensure proper due diligence to avoid misinterpreting broader-scope data and its impact on the single company under question.

Consider **Hasbro Inc.** ([NASDAQ:HAS](#)) and its blowout quarter, which sent its stock surging 13% in spite of the Toys “R” Us bankruptcy headwind that’s plagued the entire toy industry over the past year.

[Earlier this year](#), I’d noted that the Toys “R” Us bankruptcy fears were overblown and that the weakness in the toy industry represented a massive buying opportunity for all investors.

Many pundits thought the bankruptcy of the toy industry’s largest brick-and-mortar player would deliver a massive blow to all toy makers, and Hasbro (and all other toy makers) sold off violently in response.

I’d stated that other big-box retailers and e-commerce players would promptly jump in to fill the void that Toys “R” Us left behind and that the fallout from Toys “R” Us would be temporary.

Basic economics can go a long way.

Although Hasbro has sent the broader toy industry rallying on Monday, **Spin Master Corp.** ([TSX:TOY](#)) stock only jumped by a measly 2.5%, just making up for the 2% plunge experienced on Friday.

[Back in March](#), I’d said that Spin Master was “the best-positioned toy company to deal with the Toys ‘R’ Us bankruptcy” due to its industry-leading innovative potential. Spin Master is essentially a tech company that sells toys.

Given Hasbro’s confirmation that toy makers can thrive in an era without Toys “R” Us, I’d encourage investors to back up the truck on Spin Master — a company that’s ripe to correct to the upside and will likely only do so after it reports a blowout quarter of its own.

Given the cross-sectional picture, I think that’s highly probable.

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Date

2025/08/27

Date Created

2018/07/25

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