How to Benefit From Canada’s Balancing Act

Description

As interest rates creep ever higher, investors are having a much more difficult time finding bargains in the value section of the market. Instead, it is Canadian technology companies and the oil industry that may become the biggest benefactors of a higher cost of borrowing (interest rates). Here’s how investors can best capitalize from this.

To begin with, the technology sector has been one of the most exciting sectors since the technology crash of 2000, as many entered the sector with high hopes for excess profits. After nearly two decades, things are finally starting to become “normal,” as many companies in the space have businesses that are both sustainable and able to be scaled in a large way. As profits start to mushroom, the expectations will finally be fulfilled!

One of the best names for investors to consider is none other than **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP), which, at a price in excess of $200 per share, has a lot of potential priced in, but it could be a home run over the next decade. Essentially, the company facilitates the on-boarding of new companies onto the web, as many businesses continue to transition from a brick-and-mortar approach to online delivery. In spite of what was previously believed to be essential face-to-face transactions (such as the need to try on shoes before buying them), even the naysayers have been forced to realize the shift.

As interest rates continue to make borrowing more expensive, many companies will continue to exit (or downsize) their expensive office space and become leaner along the way. Serving the customer online will become the norm. Why not get in on the ground floor?

How do we balance this out?

As the technology sector is rich on intangibles (and usually free of debt), the opposite direction for investors would be the oil sector, which is asset rich and typically made up of a mix of debt and equity.

After close to three years of low oil prices, many companies in the sector are trading at prices that are at a discount to the amount of tangible book value that is available to shareholders in the event of a liquidation. At the current price under $9 per share, **Crescent Point Energy Corp.**

(TSX:CPG)(NYSE:CPG) continues to offer a dividend yield of 4% and incredible potential for capital appreciation, as the company has sold off to such an extent that investors can receive $1 of assets for close to $0.56. At these levels, it's a steal!

The challenge, of course, is how the company will perform in an environment of rising interest rates. Although there may be challenges, the reality is that the entire oil sector will be under strain, as it will become costlier to finance new projects, which will, in turn, keep the supply of oil subdued for at least a few more months. The only question is just how fast management can monetize the assets before a higher price of oil brings out more production.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. NYSE:VRN (Veren)
3. TSX:SHOP (Shopify Inc.)
4. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/14
Date Created
2018/07/31
Author
ryangoldsman