



## 3 Smokin' Hot Stocks Hitting New 52-Week Highs

### Description

Hey there, Fools. I'm back again to highlight three stocks hitting new 52-week highs. As a reminder, I do this because hitting a new high can mean one of two things:

- the stock's price strength will keep [pushing it even higher and higher](#); or
- the stock is "overbought" and is [due for a significant correction](#).

Fundamentals are always the most important thing. But it's important to look into red-hot stocks to assess how sustainable their momentum is.

So, without further ado, let's get to our list.

### Real estate returns

Leading things off is **Morguard North American REIT** ([TSX:MRG.UN](#)), whose shares hit a new 52-week high of \$17.49 late last week. Year to date, the residential REIT is up 15% versus a loss of 14% for the **S&P/TSX Capped Materials Index**.

Morguard continues to fire on all cylinders. In its recent Q3 results, net operating income increased 8.5%. More importantly, basic funds from operations (FFO) — a key metric in the real estate industry — improved 7% to \$15.5 million. Due to that operational strength, management upped its annual cash distribution by \$0.02 per unit.

Currently, the stock sports a yield of 4%. And with a FFO payout ratio of just 54%, it might be too attractive to pass on.

### Drilling down

Next up, we have **Pason Systems** ([TSX:PSI](#)), which spiked more than 15% to a new high of \$24.57 on Thursday. Shares of the drilling services specialist are up 20% year to date, while the **S&P/TSX Capped Energy Index** is down 19% over the same time frame.

The recent pop was fueled by another strong quarter. In Q3, net income more than tripled to \$24.4 million as revenue jumped 28% to \$82.3 million. Meanwhile, free cash flow clocked in at a healthy \$26.9 million. Although management expects drilling activity to be largely flat in 2019, it remains confident in the company's positioning.

With no debt on the balance sheet to go along with a yield of 3.2%, Pason's floor looks limited even after the rally.

## Royalty riches

Rounding out our list is **Labrador Iron Ore Royalty** ([TSX:LIF](#)), whose shares hit a 52-week high of \$31.36 late last week. Over just the past six months, the iron ore royalty company is up an impressive 45% versus a loss of 14% for the **S&P/TSX Capped Materials Index**.

Don't bet on Labrador Iron's operating momentum to slow anytime soon. In its Q3 results last week, royalty revenue increased 11% \$44 million. And while total production was down year over year, it was about 240% higher than the second quarter of 2018. Looking ahead, management expects solid production and strong prices for the balance of 2018 and moving into 2018.

Currently, the stock sports a dividend yield of 3.3%. Of course, when you combine the stock's high volatility — nearly three times the market average — with its recent rapid rise, I'd be especially cautious moving forward.

## The Foolish bottom line

There you have it, Fools: three stocks hitting new 52-week highs worth investigating.

As always, these aren't official recommendations. Just think of them as a starting point for more research. Stocks with price strength can be especially fickle, so extra due diligence is required.

Fool on.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:LIF (Labrador Iron Ore Royalty Corporation)
2. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)
3. TSX:PSI (Pason Systems Inc.)

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