3 Red-Hot Stocks that Could Rocket Your Wealth

Description

Hi there, Fools. I'm back to call attention to three stocks that flew last week.

Why? Because when a stock spikes over a short period of time, one of two things usually happen: it keeps flying as momentum-oriented traders swarm to the shares; or it pulls back as value-conscious investors take profits off the table.

Fundamentals ultimately drive long-term returns, but it's a good idea to revisit your investment thesis after really big price jumps.

Without further ado, let's get to the list.

Gastronomical upside

Leading things off is **CRH Medical** (TSX:CRH), which popped 14% last week. Shares of the gastroenterology device and services specialist are up 87% over the past year versus a gain of 33% for the **S&P/TSX Capped Health Care Index**.

CRH pulled back sharply in September and October on concerns over slowing growth, but it's been on fire ever since reporting its Q3 results. During the quarter, adjusted operating EBITDA jumped 35% as total revenue increased 30% to $28.7 million. Operating margins also remained strong, easing worries over the company's competitive position moving forward.

With a P/E in the low 40s, the stock definitely isn't cheap. But given CRH's market cap of just $336 million, upside isn't a problem either.

Taking flight

Next up, we have **Air Canada** (TSX:AC)(TSX:ACB), whose shares soared 11% last week. The airline operator is now up 27% over the past six months, while the **S&P/TSX Capped Industrials Index** is down 1% during the same time frame.

2018 has been up and down for the stock, but the recent oil rout suggests a positive start to 2019. In Q3, capacity grew 6.7% as system passenger revenue increased 11.2% to $5.02 billion. The increase in revenue was driven by strong traffic, as well as an improvement in yield.

Looking ahead, management now expects free cash flow of $500 million-$600 million, up nicely from its prior view.

Of course, given the notoriously cutthroat nature of the airline industry, now might be a prudent time to take some profits.

Cascade effect

Rounding out our list is **Cascades** (TSX:CAS), which spiked 11% last week. Shares of the packaging and tissue products specialist are now up 22% versus a gain of 1.5% of **S&P/TSX Capped Industrials Index**.

The stock jumped after Cascades' strong Q3 report in early November, and it hasn't stopped flying. During the quarter, EPS increased 33% to $0.40 on growth of 6%. Notably, operating margins expanded 30 basis points to 11.7%, suggesting that fundamentals in Cascades' main segment — containerboard packaging — are strengthening.

Even with the recent rally, the stock remains off 25% from its 52-week highs, sporting a cheapish forward P/E of 8.3. Throw in a highly comforting beta of 0.5, and Cascades' risk/reward tradeoff is quite attractive.

The bottom line

There you have it, Fools: three red-hot stocks worth looking into.

They aren't formal recommendations, of course. Instead, think of them as a jumping off point for further research. Momentum stocks can correct sharply in the blink of an eye, making due diligence all the more important.

Fool on.

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