2 Housing Stocks to Watch in 2019

Description

The Canadian housing market faced considerable headwinds in the beginning of 2018 but has been able to overcome challenges and stabilize in the latter half of the year. However, home sales in Canada are still down double digits from the prior year and prices have stagnated into the autumn months.

The Canadian Real Estate Association (CREA) released data on Monday that showed national home sales fell for the third month in a row in November. The Greater Toronto Area and Greater Vancouver Area both experienced weakness in the second-last month of 2018. The average selling price for a home also fell 2.9% year over year. Gregory Klump, the chief economist at CREA, said that the rebound “appears to have run its course.”

A recent report from **Canadian Imperial Bank of Commerce** projected that the housing market would drag on Canada’s growth in 2019. This is particularly concerning as residential investment accounts for 7.5% of Canadian GDP. Plummeting oil and gas prices have also put enormous pressure on the energy sector.

It is worth noting that many of these projections are reliant on the Bank of Canada continuing its rate-tightening experiment. In its early December report, the central bank hinted that it could pause its rate hike path in 2019. This has the potential to ease pressure on lenders and buyers alike.

With that in mind, let’s look at two housing stocks that are worth a look before the new year.

Equitable Group (TSX:EQB)

Equitable Group stock has dropped 13.1% over a three-month span as of close on December 18. Shares are down 14% in 2018 so far. Equitable Group stock has been extremely volatile this fall, largely due to the global stock market sell-off which has been particularly unkind to Canadian financial stocks.

Shares of Equitable Group shot up after the release of its record third-quarter results. Portfolio growth in its alternative single-family lending segment blew past original expectations, and the company now expects double-digit growth for the full year. Equitable Group stock boasts an RSI of 35, as it is nearing oversold territory in late December. The stock also offers a dividend of $0.28 per share, which represents a modest 1.7% yield.

Genworth MI Canada (TSX:MIC)

Genworth MI Canada stock has dropped 6.9% over the past three months. The stock is down 5.9% in 2018 so far. In the third quarter, Genworth saw net income and diluted earnings per share rise 10% from the prior quarter, but numbers were down across the board from the prior year. Fortunately, Genworth has benefited from improved margins due to higher interest rates. This has been the case for many lenders in 2018, even as tighter regulations have slowed loan growth.

Genworth stock has failed to dip into oversold territory over the course of its November and December retreat. However, at an RSI of 39 shares come at a decent value, especially when we consider the income Genworth provides. The stock boasts a quarterly dividend of $0.47 per share, which represents a 4.7% yield. Genworth has achieved dividend growth for nine consecutive years.

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Date
2025/07/21
Date Created
2018/12/19
Author

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