



3 Red-Hot Stocks That Bay Street Loves Right Now

Description

Hi there, Fools. I'm back to highlight a few stocks that soared over the past five trading days. Why? Because after a stock pops over a short period of time, one of two things usually happens:

- The stock [continues to soar higher](#) as momentum traders look to pile on; or
- The stock pulls back sharply as [value-oriented investors](#) lock in profits.

The **S&P/TSX Composite Index** performed well last week, climbing about 3.5%. So, it might make sense to look at a few plays that are benefiting especially well.

Let's get to it.

Toy story

Leading off our list is **Spin Master** ([TSX:TOY](#)), whose shares climbed nearly 13% last week. The toy and entertainment company remains off 23% over the past six months versus a loss of 17% for the **S&P/TSX Capped Consumer Discretionary Index**.

2018 wasn't kind to the stock, but there's good reason to believe 2019 will provide a prolonged turnaround. Despite slowing growth, Spin Master's year-to-date adjusted income is still up 6.7%, while revenue has improved 9.6%. More importantly, free cash flow remains robust, with the company having generated US\$150 million of it in the most recent quarter.

"Looking forward, we are excited about our upcoming innovative product line integrated with entertainment content," said Chairman and Co-CEO Ronnen Harary.

Currently, the stock sports a very reasonable forward P/E of 17.

Bankable turnaround

Next up, we have **Laurentian Bank** ([TSX:LB](#)), which soared 12% last week. Shares of the Montreal-

based bank are now down just 3% over the past six months versus a loss of 7% for the **S&P/TSX Capped Financial Index**.

Triggering the rally was an upbeat Q4 report. Despite an 18% decrease in adjusted income, return on equity increased 60 basis points to 9%. The company's book value per share and quarterly dividend also improved slightly.

"We look forward to profitable growth and reaping the benefits of investments in business opportunities," said President and CEO Francois Desjardins. "In short, we are investing in the right places to support future growth and expect to maintain a strong balance sheet into 2019."

At a paltry forward P/E of 8.6, Laurentian looks like a good bet to keep turning around.

Auto trader

Rounding out our list is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), whose shares popped nearly 10% last week. The auto parts giant is now off 15% over the past six months versus a loss of 17% for the **S&P/TSX Capped Consumer Discretionary Index**.

Optimism over the economy fueled last week's gain, as it did it for fellow auto parts specialist **Linamar** — up 8% over the past five days. That said, Magna also has some business momentum on its side.

In the most recent quarter, Magna posted record Q3 sales and earnings, while returning \$629 million to shareholders through buybacks and dividends.

"We remain confident in our cash flow expectations, despite somewhat softer global vehicle production," said CFO Vince Galifi.

Magna remains a relatively risky proposition. But at a single-digit P/E, the upside might be worth it.

The bottom line

There you have it, Fools: three red-hot stocks worth checking out.

As always, they aren't formal recommendations. Just view them as a starting point for further research. Momentum stocks are particularly volatile, so extra due diligence is necessary.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:MG (Magna International Inc.)
4. TSX:TOY (Spin Master)

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Author

bpacampara

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