Insider Confidence Is High for These 3 Canadian Stocks

Description

Inside buying is a good way to gauge confidence levels in a stock among those in the know. Going through the latest data, the three following stocks on the TSX index have seen more insider buying than selling in the last three months. Do other pieces of data give clues as to whether insider confidence is merited? Let's dig deeper and find out before considering them for a TFSA or retirement savings plan.

TELUS (TSX:T)(NYSE:TU)

Down 0.04% in the last five days and with a five-year beta of 0.52 relative to the TSX index, this is a fairly sluggish stock. In terms of a long-term trend in share price, there really isn't one, with an erratic serration of peaks and troughs either side of the $47 mark. While a one-year past earnings growth of 16.3% is moderately positive, an overall five-year average growth of 0.8% is fairly negligible. In summary, this is a stock with a fairly mediocre track record, and with a 0.52 beta, it doesn't have much momentum, either.

Still, there's been considerably more inside buying than selling of TELUS shares in the last three months. Throw in a dividend yield of 4.69% and an 8% expected annual growth in earnings continuing a positive trend over the next couple of years and you have an interesting stock. Weigh up a so-so valuation shown by a P/E of 18.5 times earnings and P/B of 2.8 times book, however.

West Fraser Timber (TSX:WFT)

A star of the TSX index forest product sector, West Fraser Timber likewise saw more inside buying than selling in the last three months. Down 4.28% in the last five days, it's on a dip, with a one-year past earnings growth of 111.1% and five-year average of 27.4% showing that it's fighting fit on the income front. Meanwhile, a safe-zone debt level of 22% of net worth indicates a healthy balance sheet.

In terms of value, a low P/E of 5.8 times earnings and P/B of 1.8 times book paint an attractive picture, while a dividend yield of 1.06% rewards passive income investors, though at a fairly low percentage. The only real red flag here, though, is a potential -24.4% expected drop in earnings, which has to be balanced against insider confidence.

Linamar (TSX:LNR)

Down 4.18% in the last five days at the time of writing, Linamar is a generally positive ticker, with a one-year past earnings growth of 13.5% hewing fairly closely to a five-year average of 18.5%. With much more inside buying than selling over the last three months, it's a so-so stock with a low P/E of 5.3 times earnings and matching P/B of 0.9 times book. Auto stocks had a tough year, though, so to see a positive track record does cast this stock in a positive light.

The bottom line

Linamar's dividend yield of 0.99%, paired with a negligible 1.8% expected annual growth in earnings, makes this a pretty pedestrian stock if one goes by the stats. However, insider confidence is high, and a passive income investor might want to do some more investigating. Meanwhile, TELUS is operating in a saturated market, and West Fraser Timber seems more than able to meet the challenges facing the lumber industry.

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2. TSX:LNR (Linamar Corporation)
3. TSX:T (TELUS)
4. TSX:WFG (West Fraser Timber Co. Ltd.)

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