This Trend Will Boost These Stocks Over the Next Decade

Description

In previous articles I have discussed the push for increased defence spending in Canada and the United States. Canada has pledged a roughly 70% increase from its 2016-2017 budget over the next decade. Some critics have taken aim at this proposal as insufficient, and it's possible we could see an upward adjustment after the next federal election.

The United States is set to experience its fifth consecutive increase in military spending. The Trump administration has proposed a whopping $750 billion in defence spending for fiscal 2020. House Democrats have countered with a $733 billion defence budget, which still represents a significant jump from the $716 billion set aside for fiscal 2019.

However this debate shakes out, the U.S. will see a spending increase in fiscal 2020. The geopolitical environment will likely spur more investment in defence over the next decade. Below are three stocks that could benefit from this trend.

Heroux-Devtek (TSX:HRX)

Heroux-Devtek is a Quebec-based company that designs, develops, manufactures, and repairs landing gear and actuation systems and components for the aerospace market. Shares of Heroux-Devtek have climbed 27.9% in 2019 as of close on April 22. The stock is up 10% from the prior year.

The company is expected to release its fourth-quarter and full-year results for fiscal 2019. In the third quarter of fiscal 2019, the company saw sales jump 49% year-over-year to $144.5 million while operating income increased 79.6% to $11.9 million. Defence sales climbed 76% from the prior year to $79 million.

Heroux-Devtek is a pricey stock, as it is hovering around 52-week highs as of close on April 22. The stock had an RSI of 60 as of this writing, which puts it in range of overbought territory. Value investors may want to await a pullback before stacking for the long term.

Magellan Aerospace (TSX:MAL)

Magellan Aerospace is a Mississauga-based company that supplies components to the aerospace industry. The stock has climbed 24.1% in 2019 as of close on April 22. Shares are still down 4.1% from the prior year.

The company released its fourth-quarter and full-year results for 2018 on March 13. Revenues rose 1.2% from the prior year to $966.7 million, while gross profit slipped 5.5% to $163.2 million. In the Q4 2018 report, Magellan projected that it would secure growth for the United States defence prime contractors through 2023 on the back of increased defence spending.

In the fourth quarter, Magellan declared a quarterly cash dividend of $0.10 per common share, which represents a 2.1% yield. The company has achieved dividend growth for 6 consecutive years.

Magellan is also trading at the high end of its 52-week range in late April. Shares had an RSI of 66 as of close on April 22, which puts Magellan even closer to overbought territory. Investors should pursue a similar strategy and look to add Magellan at better value while monitoring the stock in 2019.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HRX (Héroux-Devtek)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/17
Date Created
2019/04/23
Author
aocallaghan