



3 Hot Stocks to Watch This Fall

Description

The leaves are turning, temperatures are plunging, and at least in Alberta, the snow is beginning to appear. Yes, fall is officially upon us.

In the investing world, autumn officially marks the end of the summer doldrums. Folks become serious about investing again and [Bay Street](#) is more than happy to oblige, churning out analyst reports, buy recommendations, and other communications designed to help investors make smart decisions.

I prefer to take a different approach, however. Ultimately, much of the research coming out from top analysts is plagued with bias, presenting companies in a positive light in hopes of capturing their investment banking business at some point in the future.

Another thing Bay Street won't tell you is that a simple momentum investing strategy works. All you really need to do is buy stocks that are surging and hold them until the growth fizzles out. With that in mind, let's check out three red-hot stocks right now — companies that perfect for this type of strategy.

Bank of Nova Scotia

Since bottoming back in late August, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) shares have been on fire, increasing approximately 10% in just over a month. That's welcome news to beleaguered shareholders who saw the stock grind slowly lower for the better part of two years.

There really isn't any reason why shares are shooting higher, either. The bank's most recent quarterly numbers were solid, if not spectacular. Interest rates in Canada are still low, thereby impacting the bank's net interest margins. And the naysayers who worry about a North American recession are still as vocal as ever.

Throughout all this noise, however, Scotiabank just keeps on performing. It posts solid numbers from its Canadian banking division, where it has a secure market share. These profits are funnelled toward further expansion in Latin America, a division that's posting 10-15% profit growth on an annual basis.

Earnings from the bank's operations in Chile, Mexico, Peru, and Columbia — among other developing nations — is approximately one-third of total income, increasing more and more every year. It appears poised to be a great long-term business.

Investors also receive a 4.8% dividend — one of the best yields offered by the Canadian banking sector.

Equitable Group

If you thought Scotiabank's short-term performance was impressive, you ain't seen nothing yet. **Equitable Group Inc.** ([TSX:EQB](#)), the specialty bank that focuses on the so-called "non-prime" mortgage market, has been one of the top performers on the **TSX** lately. Shares are up more than 45% over the last three months alone.

The rally started with the company posting excellent results back in July, including quarterly earnings that surged 31% compared to results in the same period last year. Other metrics, including return on equity and overall loan growth, were also impressive.

The company also told investors that it expects to increase its dividend by a whopping 20-25% annually over the next five years.

Despite this huge rally, however it's easy to argue shares are still cheap. The company has a P/E ratio of just nine times earnings despite analysts predicting 10% earnings growth for 2020.

Empire Company Limited ([TSX:EMP.A](#)), the parent company of Canada's second-largest grocer, has been quietly delivering great results for investors lately. The stock is up approximately 10% in the last month alone and shares have more than doubled off 2017 lows.

You may remember Empire from its 2015 acquisition of Safeway, a deal that immediately started to go sideways. But the company has done an excellent job ever since, including starting a big cost-cutting program that's started to pay dividends. The improved results have also helped, including solid same-store sales.

Investors should also remember that Empire holds one of Canada's most impressive dividend growth streaks, upping its payout each and every year since the year 2000.

The yield isn't much — currently sitting at 1.3% — but the company's tiny payout ratio ensures that dividend growth should continue for years to come.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)

2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:EMP.A (Empire Company Limited)
4. TSX:EQB (EQB)

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