



A Fool's Guide to the 2019 Election

Description

Canadians are set to go to the polls tomorrow to decide the 2019 federal election. In the summer of 2018 I'd discussed how the [Ontario election](#) would potentially impact some of the top stocks on the **TSX**.

This election may not bring the immediate impact that the Ontario provincial race did for a stock like **Hydro One**, but that doesn't mean investors shouldn't pay close attention.

As it stands right now, polls indicate that we're likely to see a liberal or conservative minority government by the time the final votes are tallied.

Markets may not be thrilled at the sight of a weaker government, but the prospect of a liberal-NDP coalition has already been floated ahead of the result. However the election shakes out, there are two sectors that interest me the most before Canadians cast their ballots.

Push for accessible housing

The push for affordable housing has grown into a bipartisan issue in the back half of this decade. Prices have continued to rise in Canada's largest cities, freezing out large sections of the population and putting the squeeze on younger buyers. Each of the major parties have vowed to make it easier for Canadians to enter the housing market.

Some of these proposals include a federal speculation tax on non-residents, a higher cap on the First-Time Home Buyer incentive, loosening the mortgage stress tests, and the re-introduction of 30-year terms for insured mortgages.

However the election shakes out, housing will remain a key growth segment for the broader economy. **Home Capital Group** ([TSX:HCG](#)) is one of the top alternative lenders in Canada.

Shares have shot up 83.5% in 2019 as of close on October 17. The company has staged an impressive turnaround after its near-collapse in the spring of 2017. In the second quarter, adjusted net

income climbed 56.8% year-over-year to \$34.7 million or \$0.58 per share.

The stock still boasts solid value today, even after posting a big surge so far this year. Shares possess a price-to-earnings ratio of 14.3 and a price-to-book value of 0.9.

Green energy policy in focus

This past week I'd discussed the [bold green energy plans](#) pitched by many of the major parties. A recent report from the Université de Montréal and University of California Santa Barbara showed that in nearly every riding there was overwhelming support for climate change action. Investors should expect continued investment in the public and private sphere into the next decade.

Innergex Renewable Energy ([TSX:INE](#)) is a developer, owner, and operator of hydroelectric facilities, wind energy, and solar farms across North America. Shares of Innergex have climbed 30% in 2019 so far. The company is set to release its third-quarter 2019 results on November 12.

In the second quarter, Innergex saw revenue rise 16% year-over-year to \$144.7 million. Adjusted EBITDA increased 15% to \$105.2 million.

The stock possesses a sky-high P/E ratio and P/B value at the time of this writing. Shares had an RSI of 60 as of close on October 17, putting the stock just outside of technically overbought territory.

I like Innergex as a long-term pick, but investors should wait for a better entry point to get the most value in 2019. The stock currently offers a quarterly dividend of \$0.175 per share, representing a solid 4.4% yield.

Patience and a prediction

It's always important to keep one thing in mind when it comes to elections and investing; do not overreact. Fortunately, investors are unlikely to see any big electoral surprises.

As for a call, I'm going to stick to my original prediction and forecast that the liberals eke out a minority win.

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TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)
2. TSX:INE (Innergex Renewable Energy)

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