Election Aftermath: 2 Stocks to Buy

Description

The Canadian federal election saw the Trudeau-led Liberals snag a minority government after a contentious campaign. This was my prediction before the election as polls telegraphed a minority government for the Liberals or Conservatives. Reaction on the S&P/TSX Composite Index has been somewhat muted. Today, I want to look at two stocks that I like after the election win for the Liberal party.

Home Capital Group

Home Capital Group (TSX:HCG) is one of the top alternative lenders in the country. Housing came into focus over the course of the campaign with each party constructing a platform that promised to make things easier for prospective home buyers. The Liberals have pledged to introduce a federal speculation tax on non-residents, but with a minority government, there may not be much follow-through on this promise.

Shares of Home Capital have climbed 2.5% over the past week. I like alternative lenders in the housing sector to continue to thrive in this balanced market. Home Capital is expected to release its third-quarter 2019 results on November 13. The stock is trading close to its 52-week high but still offers decent value right now.

At the time of this writing, Home Capital stock possesses a price-to-earnings ratio of 14.7 and a price-to-book value of 0.9. Shares last had an RSI of 65, putting the stock just outside technically overbought territory. This means value investors may want to wait for a better entry point this fall.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) stock has increased 1.1% over the past week. Shares have now climbed 14% in 2019 so far. CIBC posted a 2% profit gain in the third quarter of 2019, but it was weighed down by a lack of growth in its massive mortgage portfolio. Management has acknowledged that CIBC and its peers face a challenging low-growth environment as we look ahead to the next decade.

The bank is expected to release its fourth-quarter and full-year results before markets open on December 5. CIBC's growth has lagged its peers, but in terms of value, the stock still looks good. Shares possessed a P/E ratio of 9.8 as of early afternoon trading on October 25, and a P/B value of 1.4. This puts it in slightly better value territory than its industry competitors right now.

CIBC also offers one of the best dividend payouts of the big banks. It last hiked its quarterly dividend to $1.44 per share. This represents an attractive 5.1% yield. The bank has achieved dividend growth for eight consecutive years.

The Canadian Mortgage and Housing Corporation (CMHC) expects the housing market to steadily rebound over the next two years. We have already seen positive progress in the second half of 2019, so this is an encouraging report in the final months of this year. CIBC has struggled with its bet on big metropolitan areas, but a boost in the broader picture should provide some relief for the lack of growth in its mortgage portfolio. These are some of the reasons I'm betting on CIBC in the fall.

CATEGORY

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:HCG (Home Capital Group)

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Date
2025/07/19
Date Created
2019/10/25
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