



## BUY ALERT: Insiders Are Buying These 3 Canadian Dividend Stocks!

### Description

While COVID-19 has sent the stock market lower, it hasn't stopped insiders from buying. Recently, filings have shown that insiders at major Canadian companies are buying their own companies' shares in massive numbers.

That may be good news for regular investors. According to a study by finance professor Nejat Seyhun, insider buying is correlated with strong returns, which is consistent other research showing that insider buying signals a positive shift in investor sentiment.

Simply put, when insiders buy, outsiders take note. That can set the stage for a dramatic increase in a stock's value. If you're looking to benefit from this phenomenon, the following are three stocks that are seeing a lot of it.

### Power Corporation of Canada

**Power Corporation of Canada** ([TSX:POW](#)) is a diversified [financial services company](#). It has a number of subsidiaries, including Canada Life, IG Wealth Management, and Great-West Life. Last month, President Robert Orr bought \$1.1 million worth of the company's shares.

In the past year, insiders have purchased \$1.6 million worth of shares and sold \$235,000 worth. So, net insider buying is positive.

Looking at POW's most recent annual report, we can see some reasons why insiders might be buying. In 2019, the company's net asset value (NAV) per share increased by 30% to \$40. At the end of the year, the company upped its dividend by 10.5%.

The company's adjusted net earnings increased by 23.3%, although GAAP earnings declined. Overall, POW had pretty good results last year. It's not clear how COVID-19 will impact the company, but insiders seem to think it has good long term prospects.

## Canadian Pacific Railway

The **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) is one of Canada's largest railway companies. Like all freight railways, it is an essential service able to operate normally during COVID-19.

That may help explain why, last month, President Keith Creel bought \$2.8 million worth of CP stock. As an essential service, CP will be able to make it through the COVID crisis unscathed.

That's not to say they won't sustain any damage, however. In its most recently weekly metrics report, **CN** stated that its RTMs were down 10% and its carloads down 15%. CP is probably seeing similar numbers.

However, such declines are miniscule compared to what airlines and inessential businesses are seeing right now. This points to a rosy future for railroads after the pandemic is over.

## Sleep Country

**Sleep Country Canada** ([TSX:ZZZ](#)) is a major mattress retailer with [275 stores nationwide](#). It also has a significant online presence. Recently, Chief Business Development Officer Stewart Schaefer purchased \$59,000 worth of stock at \$11.85 per share at writing.

This insider purchase is a little harder to explain than the previous two. Mattresses fall into the category of discretionary spending, which tends to fall during recessions (like the one we're probably headed for). Additionally, mattresses aren't considered an essential service, and Sleep Country has shut all its stores down nationwide.

While online sales could pick up the slack, the lost retail sales will probably hit ZZZ's share price hard. Most likely, Schaefer simply thinks that ZZZ will bounce back once the pandemic is over. It's also worth noting that his insider purchase was much smaller than the other two mentioned above.

### CATEGORY

1. Dividend Stocks

### TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:POW (Power Corporation of Canada)
4. TSX:ZZZ (Sleep Country Canada)

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