Buy These 2 TSX Stocks for Near-Term Gains

Description

The past quarter has been marked by a pervasive euphoria in the markets. It seems everyone's a contrarian at the moment. But there's a better way to make steep capital gains than buying risky airline stocks and bankrupted businesses. It just might take a while longer, that's all.

Here's why names like **Northland Power** (TSX:NPI) could belong at either end of a barbell portfolio.

Balancing risk and reward

Balancing risk is almost a full-time job when it comes to building stock portfolios. One way to do this is to spread exposure across multiple sectors — another is to counterbalance short-term gains with long-term safety.

But with names that support a high-growth thesis, either end of the barbell could be appropriate. Green power stocks like Northland offer a bit of both worlds, making them ideal additions to a range of portfolio types.

Meanwhile, zero-commission online brokerages have been gaining in popularity. Consider the momentum generated south of the border by trading apps like Robinhood, for instance. And now there's a situation where fiscal easing is injecting further liquidity into locked-down economies. Of course, many citizens need these payments just to get by in these uncertain times.

But there's also a non-trivial possibility that some of this money could end up in equities or further increase overconfidence in the markets. Either way, the markets are being artificially heated, at least in part. Amid ratcheting unemployment and an ongoing health crisis, this disconnect between the markets and the economy could end badly.

Infrastructure stocks are evergreen

Mining, power generation, and construction are fairly obvious plays for infrastructure exposure. Others are less obvious, though, such as consumer staple inputs (such as **Nutrien**) and communications (such as **BCE**). Northland Power would fit neatly into the infrastructure segment of a portfolio while also doing some of the high-growth heavy lifting of, say, a beaten-up airline or a breakout tech stock.

Speaking of tech stocks, one of the most popular names in the last few months has been **Enghouse Systems** (TSX:ENGH). This unobtrusive tech company has grown its dividend for 12 consecutive years, making it a rare income growth name in the digital space.

Enghouse has the hallmarks of a name whose time has come. Its video conferencing service fits the zeitgeist and will continue to pay off as digitalization outruns the lockdown.

Enghouse is seeing a lot of attention at the moment, with investors running its share price up +20% over the course of the last four weeks. A 0.74% dividend is also up for grabs, while its balance sheet is typical of a healthy business. And 13% earnings growth could spell good things for Enghouse shareholders over the next few years. That dividend also has plenty of room for growth, given a 33% distribution ratio.

Lower-risk growth investors wrong-footed by the whipsawing markets have few clear choices. However, names such as Northland and Enghouse offer a mix of both defensiveness and expansion.

A barbell portfolio typically stacks riskier stocks counterbalanced with defensive long positions. But by stashing stocks like Northland and Enghouse together, such a portfolio can be further safety proofed.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)
2. TSX:NPI (Northland Power Inc.)

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