2 High-Momentum TSX Stocks to Buy on the Way Up

Description

TSX stocks riding high on considerable momentum aren't necessarily expensive. A surging stock may signify a company's confirmed, renewed, or even improved long-term growth prospects.

Undoubtedly, it's a bad idea to chase stocks, especially those that continue to make new highs for no recognizable reason. South of the border, many high-momentum stocks look overly frothy and overdue for a pullback. While there are overvalued securities in Canada, too, I think there are more names that are at the intersection between momentum and value.

Analysts at Bank of America certainly seem to think there's more value to be had on the **TSX Index**. Even though the TSX and S&P 500 are neck in neck so far in 2021, outside of energy and financial stocks, there are many dirt-cheap bargains that haven't rallied as much as they could have. It's these such names that I expect to continue making new highs under their own power.

Consider shares of **Spin Master** (TSX:TOY) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY). These TSX stocks are two incredible first-half winners likely to keep on winning in the second half.

Spin Master

Spin Master is a Canadian toymaker that's up a whopping 68% year to date. It's been an unbelievable first half of 2021 that saw Spin stock complete a full recovery from last year's meltdown. As it turned out, Spin had a lot more going for it when lockdowns struck. The digital games business in particular posted phenomenal growth triple-digit percentage numbers amid a lockdown-filled past year and a half.

Moving ahead, shopping malls are going to reopen, and the holiday season could see many consumers spend a record amount of savings. Toy sales could really take off heading into the holiday season, and if Spin Master can sustain growth in its digital games business, I think Spin stock could find itself right back at all-time highs.

For now, Spin stock is a misunderstood mid-cap TSX stock with a dirt-cheap multiple relative to its growth story. The stock trades at 2.3 times sales, which is way too low given the type of growth you'll stand to get.

Royal Bank of Canada

Royal Bank of Canada's epic rally has recently stalled out alongside almost every other Big Six Canadian bank. Undoubtedly, the top bank stock was due to cool at some point after soaring over 60% off its March 2020 bottom.

Shares are up 20% year to date, outpacing the broader TSX by a few percentage points. In the second half of the year, I expect Royal to pull further ahead of the market indices, as better earnings numbers come flowing in on the back of improving macro conditions and continued strength in capital markets.

Royal Bank did a remarkable job of navigating through the COVID-19 crisis. It arguably did the best job of its peers, and I think the resilience of Royal Bank has still yet to be fully reflected in the share price. At 12.8 times trailing earnings, Royal Bank is in the middle of the pack right now. In due time, I think shares could command a greater premium in the high 13 times range.

The TSX stock yields a modest 3.43% at the time of writing. Once the big banks get the thumbs up to hike dividends again, though, it could be off to the races for the banks, and I expect Royal will lead the charge.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)
3. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/07/02
Date Created

2021/07/10
Author
joefrenette