3 TSX Stocks That Could Rally on Solid Q2 Earnings Next Week

Description

Markets have shrugged off inflation and the Delta COVID variant fears recently. Rather, investors seem confident about the quarterly earnings recovery and the impending economic growth. Thus, stocks might continue their upward climb, at least for the next few months, if earnings growth indeed falls on the expected lines. Here are three top TSX stocks that could rally, given their expected handsome Q2 2021 performance.

Tourmaline Oil

Canada's largest natural gas producer, **Tourmaline Oil** (TSX:TOU), has been on the solid run this year. The stock has already doubled this year due to higher energy commodity prices and superior earnings growth. Tourmaline plans to report its second-quarter earnings on July 28.

Tourmaline Oil reported higher production and improved free cash flows in the last quarter. A major chunk of this free cash was distributed among shareholders in the form of higher dividends. The trend will likely continue in Q2 2021 as well, driven by the strength in oil and gas prices and higher demand.

The company posted a handsome gross profit margin improvement in the last few quarters. Scale and engineering design changes led to increased operational efficiency, which pushed its gross margin to 66% from a long-term average of 58%.

After doubling in 2021, TOU stock is still trading at a price-to-earnings valuation of 11. That indicates an attractive investment proposition for long-term investors.

Equitable Group

Equitable Group (TSX:EQB) operates through its wholly owned subsidiary Equitable Bank. It has returned 95% since last year, notably outperforming the Big Six Canadian bank stocks. It will report Q2 2021 earnings on July 29.

Equitable Group serves a large customer base that Big Six Canadian banks do not usually serve. It saw significant growth in the last quarter and issued an upbeat outlook for 2021. It might report continued growth in both commercial and personal banking during Q2.

At the end of Q1 2021, it had $108 million, or $6.37 per share of excess capital. As a result, EQB could reward its shareholders with higher dividends with this excess cash.

Interestingly, EQB stock is trading at a discounted valuation against the industry average, despite its steep rally. A strong performance in Q2 and attractive valuation could drive EQB stock higher in 2021.

Canadian Pacific Railway

Canadian Pacific Railway (TSX:CP)(NYSE:CP), Canada's second-biggest railroad company, will report its Q2 earnings on July 28. The numbers will likely improve, considering economic reopenings this year.

Also, commodity prices have been substantially higher this year due to superior demand. So, higher exports of commodities, like lumber and crude oil, will likely boost CP's top line during the quarter. **Canadian National Railway**, which reported its numbers on July 20, saw remarkable earnings growth driven by commodities.

Canadian Pacific lags CNR in terms of market share in a duopolistic railroad market. However, CP sports a unique network and significantly contributes to North American trade. Moreover, CP stock grew faster than CNR, mainly due to the latter's superior earnings growth in the last decade.

Notably, CP stock is also trading at a discount against CNR. It could change course after its Q2 2021 earnings next week. CP remains a solid long-term bet driven by its diversified revenue base and stable earnings.

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2. TSX:CP (Canadian Pacific Railway)
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Date
2025/08/18
Date Created
2021/07/22
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