2 Canadian Stocks That Could Surge in September

Description

When it comes to Canadian stocks, you're probably thinking that buying low and selling high is the only way to go. But with the broader **TSX Index** and **S&P 500** continue to ascend steadily without so much as a 5% pullback in many months, it can be tough to find high-quality companies whose shares are depressed enough to back up the truck on. Indeed, we're overdue for a correction. But we may not get one anytime soon, as the market momentum continues to build upon itself. That's why I'm a huge fan of buying high and selling at even higher levels. Buy high and sell higher is the strategy that may result in the most solid gains to close out a wonderful 2021 for the stock market.

Canadian stocks poised for gains in September and beyond

In this piece, we'll have a look at two soaring Canadian stocks that strike me as tempting breakout candidates. They may very well make a big run in September, which could carry on into year-end. Regardless, I believe earnings and modest valuation multiples will support a continued rally in the two names I'm about to bring to your attention.

Without further ado, consider **Alimentation Couche-Tard** (TSX:ATD.B) and **Telus** (TSX:T)(NYSE:TU), two TSX winners that I'm willing to bet will keep on winning over the next year.

Alimentation Couche-Tard

How could you not love shares of Alimentation Couche-Tard now that they're in full-on rally mode after years of going virtually nowhere? The convenience store company that's excelled at the growth-by-acquisition model has become more active on the M&A front of late. After acquiring Porter's stores and Wilsons Gas and Go!, the company seems to be going back to its roots, as it looks to hit its earnings-growth targets over the next four years.

Adding to the rally is the likelihood that management is putting its big-league grocery acquisition on the shelf. At least for now. In any case, I view shares of the defensive growth stock as absurdly undervalued, even after its latest run to new all-time high. The stock trades at 16.5 times trailing earnings, which is not indicative of a growth stock. Heck, it’s not even valuing the defensive aspects of the business or the post-pandemic tailwinds that could be in the cards over the next 18 months.

More cars are bound to hit the roads, as the great economic reopening continues. And with that, booming fuel sales alongside a potential boost to high-margin in-store merchandise. Add the convenience store delivery option touted by services such as **Uber**, which could be a boon on merchandise sales, into the equation, and I think the value proposition in Couche-Tard has never looked this good.

Telus

Telus seems frothy at just north of 30 times trailing earnings. But it’s really not, given the 5G boom that could be on the horizon. Moreover, when you factor in that Telus has been steadily taking share of late, and it becomes more apparent that Telus is a firm with a means to really put the pressure on its competitors in the Big Three.

The company has a reputation for exceptional customer service and high network quality. Both factors could give Telus a competitive edge in markets that it’s invested so heavily in. As we exit the pandemic, I expect the floodgates will open for the many consumers who’ve been putting off device upgrades. Undoubtedly, Telus could continue to feast on the competition. And in such a scenario, a higher multiple on the name, I believe, is more than warranted.

The 4.4% dividend yield is too good to pass up here, as the stock looks to add to its gains into year-end.

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