3 Post-Election Stocks to Watch

Description

Change usually accompanies a major power shift, and even though the power hasn't really shifted that much in Canada after the election, there are some changes we can expect. One of the significant anticipated changes will be the government putting its foot down in the housing market and controlling the housing crises through radical changes.

In order to make housing more affordable for Canadians, the government might take some steps to cool the market down, and if it triggers a violent dip in the housing market (prices, interests, and growing inventory), some stocks might also feel the impact. There are three such stocks you might want to keep an eye on, so you can buy them just before they start recovering after the post-election correction (if one is coming).

A bank

The banking sector in Canada is dominated by the big five, and many smaller banks, like **Equitable Group** (TSX:EQB), don't get the investor attention they might deserve in the presence of their massive counterparts. Still, they are holdings worth considering, especially now, with the red-hot housing market.

Equitable Group's primary business is real estate lending. It makes loans to residential and commercial buyers and even offers mortgages to people with bad credit. This allows it to tap into a market ignored by the Big Five and promises higher returns (albeit at higher risk). The stock has performed better than the Big Five in the last five years and returned about 150% to its investors.

But if the housing market slows down drastically, the stock might go through a correction.

A mortgage lender

MCAN Mortgage (TSX:MKP) is purely a mortgage lender, and it's a great stock to consider even now. You don't have to wait for a correction for it to become reasonably attractive. It offers a massive 7.4%

yield at a heavily discounted valuation. It also offers mortgages and financial solutions to both the residential and commercial sectors.

This will likely prevent the stock from dipping too low even if the housing market takes a nosedive. Still, a correction would be excellent for dividend and value investors, but only if the company can sustain its dividends. It's a relatively smaller lender than Equitable Bank and has a market capitalization of just $505 million.

A REIT

Allied Properties REIT (TSX:AP.UN) should be on your radar for a different reason. The REIT focuses on urban workspaces and data centres, which are asset classes that might thrive when the economy starts to boom. It already has, but it still has a recovery tinge to it. A perfect organic recovery under the new regime might have the opposite effect of what a housing crash would have on the two stocks above.

The REIT is already quite an attractive buy. It has joined the ranks of Dividend Aristocrats by growing its dividends for nine consecutive years. The current yield of 4.1% is decent enough. Even though the post-pandemic performance has raised some serious questions about the stock's capital appreciation potential, its pre-pandemic growth pattern was quite attractive and reliable.

Foolish takeaway

It's too soon to predict how the election results will impact the stock market, and not all impacts will be visible right away. The decisions of the re-elected Trudeau government, when they take effect, will sway the market in different directions, so keeping a watchful eye on the stocks that might be impacted could allow you to buy these stocks (ideally undervalued) at the right time.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:EQB (EQB)
3. TSX:MKP (MCAN Mortgage Corporation)

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