



What 4 Canadian Stocks Should You Buy in October 2021?

Description

The stock market is running a [bull ride](#), with the **TSX Composite Index** up 3.74% so far in October. You should buy in the bear market and sell in the bull market. But some healthy stocks didn't ride the bull and are still available at a discount:

- **Dye & Durham** ([TSX:DND](#))
- **Transat A.T.** ([TSX:TRZ](#))
- **RioCan REIT** ([TSX:REI.UN](#))
- **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))

Dye & Durham stock

While the stock market is soaring, Dye & Durham stock is falling. It dipped almost 14% in a week, as the board turned down a \$2.8 billion buyout offer. The company launched its initial public offering (IPO) in July 2020 and wanted to stay public. This shows management's confidence in their strategy to grow through acquisitions.

Dye & Durham provides software solutions to legal and business professionals. Its niche market and long-term contracts allow it to enjoy regular cash flows. The company looks to grow its adjusted EBITDA through acquisition. It has many acquisitions in the pipeline, which can bring in over \$500 million in adjusted EBITDA.

The current dip is an opportunity to buy this high-growth stock at a discount. Rejecting an acquisition offer did not harm its fundamentals. This bearishness is temporary, and future acquisitions could put the stock back on the growth path.

Transat A.T. stock

Transat A.T. stock dipped almost 13% in September, and after a brief rally in October bulls, it is back to a dip. If you look at the stock price graph and last 12-month fundamentals, you might avoid buying this

international tour operator, even at a \$4.62 price.

Transat was almost on the verge of bankruptcy, as the pandemic had put a lock on its international tour businesses. The \$700 million government bailout saved the company and gave it time to revive without any acquisition. But the stock has not shown any significant growth since the bailout, as shareholders don't prefer a government stake in the company. I have touched upon the government and shareholder relationship before in an **Air Canada** [article](#).

The bailout bear will subside when pent-up demand for leisure travel starts reflecting in Transat's earnings. But you have to be patient. It is a high-risk stock, but the reward is also high. If the odds work in Transat's favour, the stock could surge over 50% in hopes of recovery. Otherwise, the stock could fall another 25%. If the stock meets my expectation, you could earn around \$50 or lose \$25 in a \$100 investment.

RioCan REIT stock

Unlike the above two stocks, RioCan REIT recovered from its September dip, rising 3.9% in October so far. But there is still growth potential, as the stock is trading 18% below its pre-pandemic level. Its peer **SmartCentres** has already recovered to its pre-pandemic level.

RioCan's recovery has been slow, because it announced a 33% [dividend cut](#) last December. The REIT has a diversified customer base with no single customer accounting for more than 5% of rental revenue. Many retailers went bankrupt during the pandemic, impacting RioCan's revenue. But the REIT is now seeing a recovery, and vacant stores are getting occupied. You can leverage this recovery rally before the stock returns to the pre-pandemic level.

Suncor Energy stock

Suncor Energy stock surged 25% since September 10 and is trading closer to its June high of \$30, when Warren Buffett exited his position in Suncor. Despite this surge, the stock is trading at a discount from its pre-pandemic level of over \$40. It is difficult to say if the stock can return to the pre-pandemic level. Every crisis has a permanent impact on the share.

Suncor stock is cyclical and moves in tandem with the oil price. The oil demand has surged, as the reopening of economies has pushed pent-up travel demand. However, supply is falling short, driving oil prices to the 2014 levels. The management's aim to increase dividends by a 25% compounded annual growth rate (CAGR) keeps me bullish on the stock.

Suncor stock could see another jump if the company announces dividend growth. It is still not late to book your seat in the dividend queue.

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1. Coronavirus
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TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:DND (Dye & Durham Limited)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:SU (Suncor Energy Inc.)

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Date

2025/07/02

Date Created

2021/10/15

Author

pujatayal

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