Canadian Conglomerates: What To Buy, What To Avoid

***e*Research Corporation** is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards looks at five Canadian conglomerates. Two are "Bullish"; two are "Neutral", and one is "Bearish".

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link:
https://www.valuetrend.ca/canadian-conglomerates-what-to-buy-what-to-avoid/

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Tuesday, June 5, 2018

Canadian Conglomerates: What To Buy, What To Avoid

By: Keith Richards (bio at end)

Conglomerates appeal to some long-term investors because of their diversity. Some conglomerates are so widespread in their corporate interests that they act much like a diversified mutual fund or ETF, only without the fees, and often WITH a management team holding significant skin in the game.

That does not mean that all conglomerates are worthy of holding. A bad management team which overpays for under-performing assets, or which illustrates a series of incorrect calls on market trends can lead the company astray.

Below, I take note of 5 of the larger conglomerates in Canada. I will offer a brief bio of their divisions, and (of course!) a technical view of the stock.

Given the longer-term nature of owning such a stock, I will strictly look at patterns on the weekly charts. Near-term timing signals will be of less significance in this summary.

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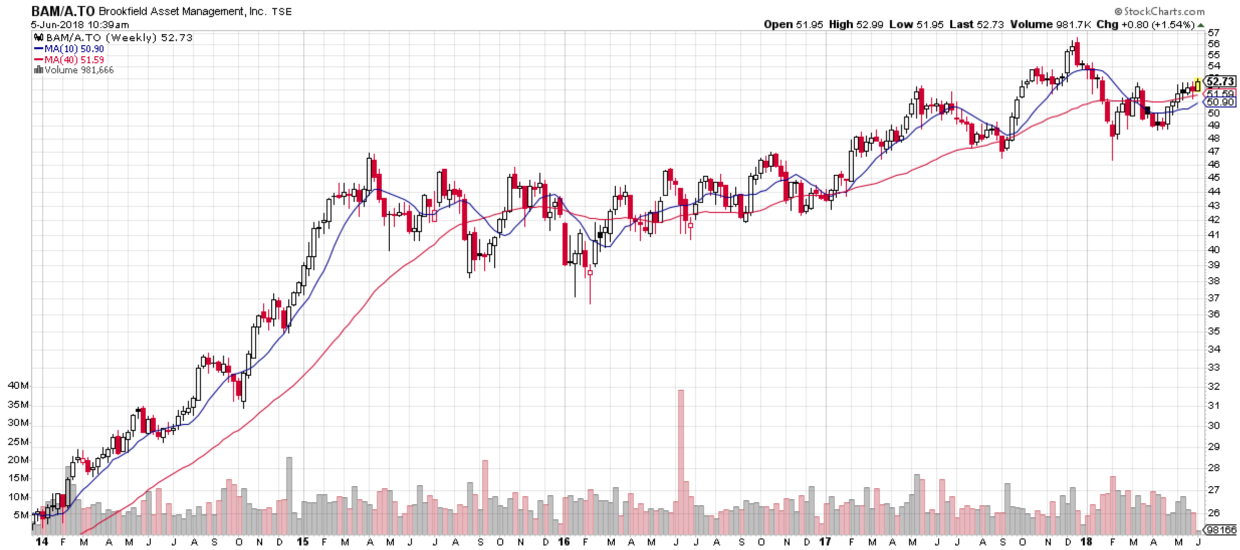
BULLISH: Brookfield Asset Mgmt. (BAM.A-T)



BAM is a stock that we have held for a while in the ValueTrend Equity Platform. The company operates in 8 divisions. Many of these divisions have been split off into separate stocks – and are by themselves fairly diversified. As such, BAM is considered a bit of a hard stock to analyse from a fundamental analyst’s perspective.

Technical Analysis to the rescue!

BAM operates divisions in: Private Equity, Corporate Activities, Infrastructure, Residential Services, Asset Management, Property Management, and Power. Whew! This is the “Everything including the kitchen sink” stock!

The chart above shows us a shallow, yet obvious uptrend since 2015. It is coming off of its trend-line and breaking through near-term resistance as I write, which inspired me to put it on my BNN Top Picks on the last show.

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BULLISH: Fairfax (FFH-T)

We own this stock in the ValueTrend Equity Platform as well.

Like BAM, it is a Top Pick for my BNN appearances.

Fairfax Financial is diversified through many areas including investment management, insurance, and some exposure to India. Prem Watsa tends to act a bit like a hedge fund manager in buying "cheap" assets and waits it out to realize value. He also hedges things like inflation etc. Because of that, it might be a little non-correlated to the market, should you be concerned about a market correction. The break-out through $700 targets $780 for the stock.

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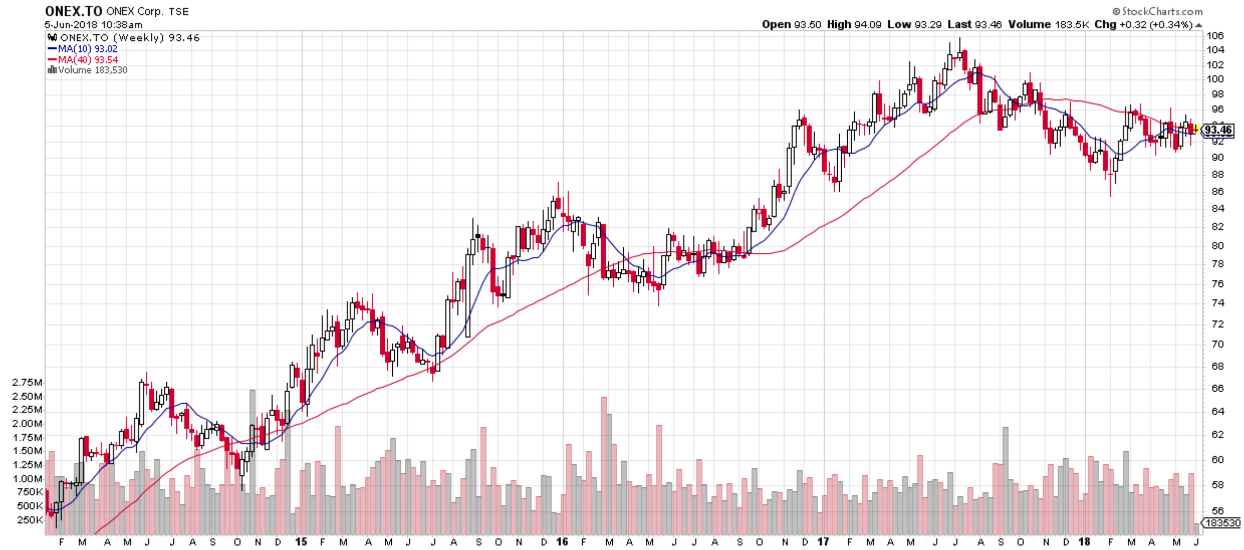
NEUTRAL: Onex (ONEX-T)



If you cannot remember Onex’s stock ticker, there is no hope for you!

Another jack-of-all-trades, Onex owns divisions in Electronics, Healthcare, Building Products, Insurance, Packaging, Food, and other small diversifications.

Peter Lynch used to say that such massive diversification can sometimes lead to “di-worsification”. Perhaps he was right.

This stock had been in an uptrend until mid-2017. Then, it took a pretty good hit on the chin, and is now struggling through a basing phase. I would not buy this stock until it breaks $96 and stays there a while.

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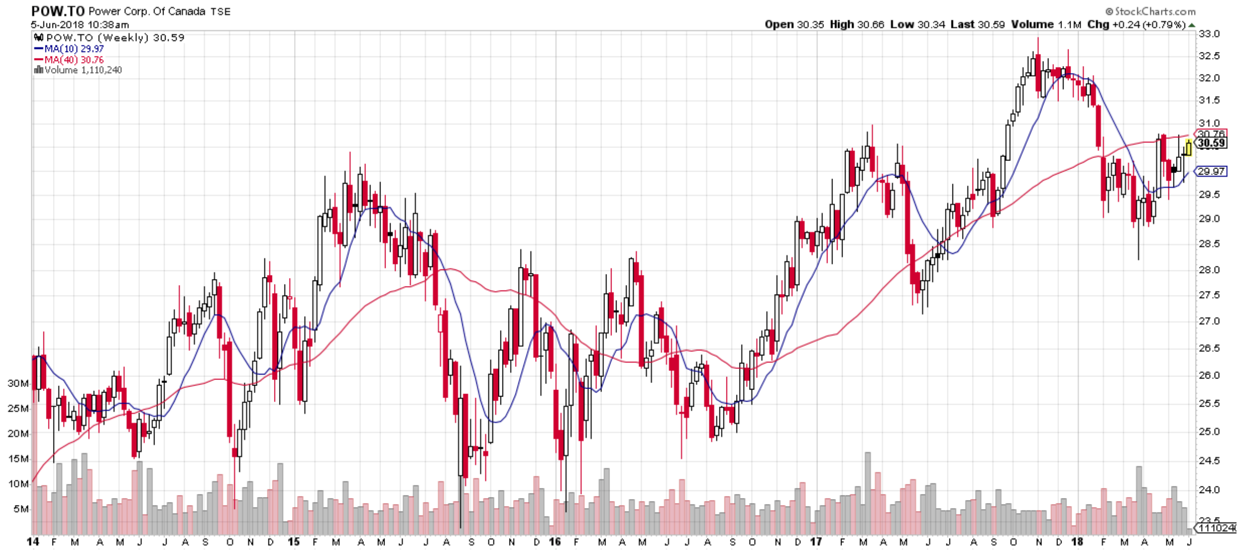
NEUTRAL: Power (POW-T)



While we do not hold POW in our Equity Platform, we do own one of its divisions, Power Financial (PWF-T) in our more passive, dividend orientated Income Platform (5% + dividend).

The chart illustrates why we do not think of POW, or PWF for that matter, as growth stocks. The chart is choppy, with no real direction as to future upside. POW holds financial interest in Canada (IGM and GWO) while also holding some European interests in minerals, cement, oil & gas, and alternative energy sectors.

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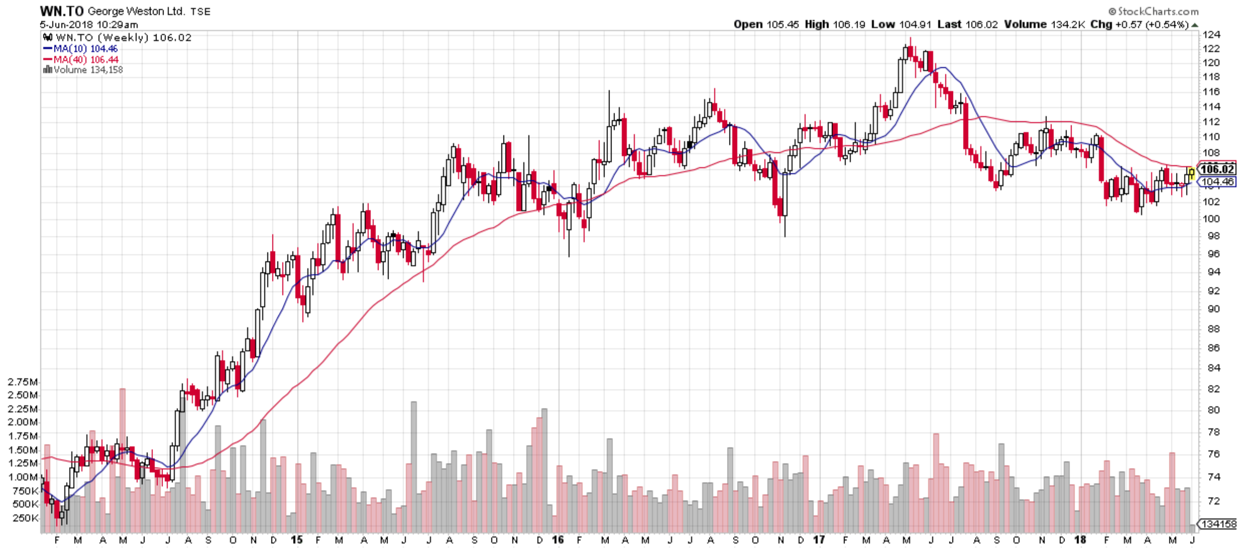
BEARISH: George Weston (WN-T)



WN holds a variety of food services including bakery, grocery etc. It holds pharmaceutical services, asset management, apparel, financial & insurance, wireless, and property management interests as well. This stock peaked in 2017. Since then, it has been in a down-trend, as illustrated by the weekly chart's consistently lower highs and lows. The stock has not begun to base yet. This stock should be avoided for the time being, unless you are a near-term swing trader. The trend is not your friend here.

Keith on BNN/ Bloomberg MarketCall Wednesday June 6th, 12:00 noon EST

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See **About The Author** on the following page.

ABOUT THE AUTHOR

ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over $100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page **www.valuetrend.ca/blog/**. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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