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THE 18 BEST STOCKS TO BUY FOR THE REST OF 2018

By: James Brumley - May 29, 2018

We're almost to the halfway point of the year, and so far … not so good. The market has disappointed, and the investing landscape has shifted drastically in a very short time. Thus, investors looking for the best stocks to buy to turn things around for the rest of the year will find that the path looks considerably different than it did back in January.

The Standard & Poor's 500-stock index is technically up since 2017's close, but the 2.2% gains for the year-to-date aren't exactly impressive. Even more troubling is that we're entering a lethargic time of year well behind the 3.6% YTD gain the market averages by the end of May.

The market certainly can catch up, though it's equally capable of falling further behind. We don't know what exactly is in the cards for the next seven months … but we do know that some stocks are better positioned than others to mount a strong finish to 2018.

Which stocks? Great question. We dug deep, asked experts and turned over some offbeat stones in a search for the market's top bets for the rest of the year. Here are the 18 best stocks to buy at the moment.

Adobe Systems
Market value: $118.9 billion

You know Adobe Systems (ADBE, $243.56) best as the outfit that created the "portable document format," or PDF. But Adobe is so much more than the name that made it easy for users of the internet to share and print files that look exactly the same from one computer to the next. Indeed, PDFs and Adobe's popular PhotoShop software are just parts of a wide revenue-bearing lineup.

Adobe has become a leader in business-marketing software and platforms. Case in point: The company's "Experience Manager" is a suite of tools that allows clients to tailor-make and customize what he or she sees at a corporate website based on his/her past interactions with that website, or even interactions at a specific locale. Using artificial intelligence, for instance, the corporate website one consumer sees may look quite different than the website of the same corporation seen by a customer just a block away. Both are optimized to maximize engagement with each particular viewer.

That platform, and the rollout of others like it, have proven to be amazingly consistent drivers of recurring revenue. There's no end in sight, either. Analysts are calling for top-line growth of 21% this year and 17% next year.

Align Technology
Market value: $25.9 billion

You probably know Align Technology (ALGN, $318.54) even if its name doesn't ring a bell. Align is the corporate entity behind Invasalign dental braces, which straighten teeth (mostly) without being seen.
It has been a surprisingly fruitful industry, and though plenty of competition has surfaced, Align Technology seems able to hold on to (and even widen) its lead. First-quarter revenue of $436.9 million was up 41% year-over-year, for instance, spurring a 38% improvement in per-share profits. The pros expect similar growth going forward. There is some drama in the offing.

Its partnership with SmileDirectClub, which operates dental centers that fit patients with Invisalign braces, became strained last year when Align opted to test its network of physical locations that offer fittings. SmileDirectClub has even filed suit against Align Technology. The suit doesn't even appear to be a significant distraction to the company, though, let alone a significant legal threat. The market certainly doesn't think so anyway. While the stock has bounced around since the latter part of 2017, the bigger-picture uptrend is still firmly intact.

Alphabet
Market value: $742.5 billion

Alphabet (GOOGL, $1,084.08), best known for its ownership of search engine Google, has been a conspicuous laggard of late. It's still down nearly 10% from its January high, even factoring in a respectable rebound effort since early April. Its 12-month gain is about 8%, which is well less than the broad market's gain of around 12% over the same time frame.

The prod for the weakness? Concerns that the company is running out of room to grow, for one. However, heightened sensitivity to the Cambridge Analytica scandal could crimp Google – Alphabet's breadwinner – as much as it stifles how Facebook operates.

What's largely being overlooked here, however, is that this is Google. It effectively owns the internet in the western half of the world, and while the cost/value of clicks continues to dwindle, the raw number of clicks (on ads) being made continues to more than offset waning ad prices. There's a reason Alphabet can boast a decade's worth of practically uninterrupted revenue and earnings growth – and why it can continue to post those kinds of numbers going forward.

Amazon.com
Market value: $781.5 billion

Amazon.com (AMZN, $1,610.15) is a stock like no other. Minimal margins, shocking double-digit revenue growth, mismatched products and services, and a paranoid celebrity CEO are all characteristics of this e-tail giant. But somehow it works in a way investors love. AMZN shares are up more than 60% for the past 12 months, with traders deciding to simply not throw Amazon out with the other stocks they dumped en masse beginning in early February.

Look for more of the same kind of progress that we've seen in the recent (and not-so-recent) past, as long as this story continues to circulate.

Make no mistake about what you're getting when you buy AMZN. It's a trade, and not an investment – even if it ends up being a trade you hold on to for the long haul. That's because at some point, investors are going to either demand much more in profits or stop letting the stock trade at nosebleed valuations. But that moment still could be far down the road. In the meantime, Amazon consistently rewards people who buy its dips.

Aptiv PLC
Market value: $25.3 billion

Aptiv PLC (APTV, $97.65), called Delphi Automotive until late 2017, is practically an unknown name in the United States, despite being a $26 billion company that has produced nearly $13 billion worth of revenue in just the past four quarters. But if you ask someone in the western half of Europe if they're familiar with the auto parts maker, you'll likely get a "yes."

U.K.-based Aptiv makes electrical systems for a bunch of vehicles made in the European Union, and it has done particularly well within the electric vehicle market.

Ingmar Empson, founder of market analysis firm Strange Markets, thinks the company's specializations could continue making APTV a standout stock within the industry as we move into the latter half of the year. He explains, "The recent rise in the price of oil drives a well-documented trend of increased sales of electric and hybrid vehicles. As a business focused on networked EV architecture, Aptiv is strongly positioned to take advantage of forecasted growth in demand for more fuel-efficient vehicles." It's a slow-and-steady kind of stock, but most investors won't complain about reliability.

Barrick Gold
Market value: $15.7 billion

What's largely been lost in the recent melee of rising rates, political turmoil and valuation concerns is the fact that gold – arguably the best hedge against the very inflation the Fed is trying to temper – stands to gain as much as any stock. While it's down a bit since April, gold prices are up 15% since late 2016 and still in the broad uptrend that got them from there to here.

Banyan Hill analyst John Ross doesn't necessarily think gold itself is the most potent way to play the possibility, however. He prefers gold mining outfit Barrick Gold (ABX, $13.39) for the foreseeable future, explaining that the "latest numbers from the National Federation of Independent Business suggest we'll see a significant pickup in U.S. wage growth this year. That could fire up the animal spirits on inflation." Such a move could prove especially fruitful for Barrick.

Ross goes on to point out that Barrick Gold "adapted smartly to years of sluggish gold prices." This suggests that high-efficiency operations could drive as much as a doubling of the current price of ABX before the end of the year after losing ground for the past 12 months.

Boeing
Market value: $207.3 billion

All the talk of a brewing trade war – particularly between the United States and China – it would be easy to worry about Boeing (BA, $360.09) and how stable its future is. The fact of the matter is, however, that China needs Boeing's aircraft a lot more than Boeing needs China. Iowa-based Midwest Retirement Advisors president Don Orban notes that "one out of every four planes being built is shipped to China."

That demand is part of the country's entry into an era of strong consumerism, catering to its own people as well as visitors from abroad.

For decades China's economic growth was almost entirely driven by its manufacture of goods sold to overseas customers. After years of economic expansion, though, tourism and other consumer-facing businesses are prompting unprecedented levels of air travel to and from the country. Boeing's long-term outlook explains that the "middle class in China has tripled (in size) in the past 10 years and is expected to double in the next 10," making the country Boeing's most meaningful growth market.

Globally, though, the outlook is just as compelling. The aircraft maker believes the airline industry will take delivery of 41,030 new airplanes over the course of the next 20 years. For comparison, there are about 23,500 passenger jets in use right now.

Celgene
Market value: $56.6 billion

Celgene (CELG, $78.63) has had a rough past few months. Shares have tumbled from highs of $146 in October to a low near $74 just a few days ago, obviously frustrating shareholders.

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The selloff wasn't entirely unmerited. The biopharma company was on a roll for the better part of 2017, on the heels of high hopes for trials of its Crohn's disease drug GED-0301 and big expectations for sales of psoriasis treatment Otezla. But the GED-0301 trial was cancelled due to lackluster performance, and the then-prior quarter's Otezla revenue wasn't quite is strong as expected. CELG has fought a losing battle ever since.

The pessimists may have overshot, though, ignoring the plausible potential of Celgene's cancer drug Revlimid. That's the way Sanford C. Bernstein analysts see it, anyway, recently upgrading CELG to "Outperform" (equivalent of buy) due to an undervaluation created by the multimonth pullback. Wall Street still expects revenue to grow at a respectable annual pace of more than 10% through 2022, spurred largely by Revlimid, Otezla and multiple myeloma therapy Pomalyst.

Cognizant Technology Solutions
Market value: $43.9 billion

Despite a roughly $44 billion market cap, Cognizant Technology Solutions (CTSH, $75.78) has managed to remain off most investors' radars. Not Henderson Capital Group President Carter Henderson, though. He has been impressed by Cognizant's performance, noting the company grew 2017 revenues by 9.8% by helping a myriad of organizations with their "integration of digital technologies that are reshaping business and operating models" all over the world.

To that end, Cognizant helps organizations enter the modern era of computing … particularly when that organization may not even know where or how to start. This so-called "digitization" has become a hot button and a priority for Cognizant. That arm's service revenue – higher-margin revenue – grew 27% year-over-year last quarter, now accounting for nearly a third of the organization's revenue. Drug developers, food companies and retailers are just a few of the kinds of companies now leaning on Cognizant even if the market hasn't noticed.

Henderson also says the company is "in the middle of a plan to return $3.4 billion to stockholders through a combination of share repurchases and cash dividends." That's a considerable investment in better per-share metrics given Cognizant Technology's size.

Facebook
Market value: $536.2 billion

Social networking giant Facebook (FB, $184.92) has been under more than its fair share of fire lately. The Cambridge Analytica scandal opened a Pandora's Box of problems, including a couple of grillings from lawmakers in the United States and abroad.

Facebook shareholders paid a price, too. Although the market was struggling at the time anyway, FB shares peeled back from a January peak near $190 to a March low around $157. That's because investors were unclear whether Facebook would be able to carry on as normal and keep minting money.

However, FB has snapped back because the market remember that a weakened Facebook still is a better investment than many other companies on their best days. The pullback simply made shares more attractively valued.

Don't misread the message. Change is coming for Facebook. Enough activists and lawmakers are supportive of the idea that undue influence of such gatekeepers must be quelled. But because the activists are limited in terms of clout, and lawmakers are hampered by a limited understanding of how Facebook functions, the end result is a growth company that only needs to change in a superficial sense.

General Electric
Market value: $122.3 billion

Beleaguered General Electric (GE, $14.63) was almost out of the woods and on the road to recovery, rallying more than 20% from its April low spurred most recently by news it was finally starting to shed pieces of itself. Namely, GE is offloading its locomotive arm to rival Wabtec (WAB). More divestitures were presumed to be in the cards as the iconic blue chip aims to streamline and focus.

Then relatively new CEO John Flannery spoke at an industry conference, warning that its power division may not actually drive any profit growth this year. The sustainability of its already-lowered dividend also was called into question.

The end result? A one-day tumble of 7%, which was the worst single day for GE stock in nearly a decade.

But a funny thing happened the very next day. The selling was reversed, and the bulls poured back in with respectable conviction. As it turns out, there's a much bigger turnaround effort in play with General Electric. With time to think about it, traders may be saying Flannery is underselling what's to come.

There's still plenty of risk, to be sure. But at a forward-looking P/E of less than 14 and the promise of asset sales now starting to become reality, the scenario's risk may be more than matched by the stock's potential upside as more spinoffs are announced.

Hanesbrands
Market value: $6.6 billion

Think Hanesbrands (HBI, $18.19) is just T-shirts and underpants? Well, it is. But, as Moody Investments' financial adviser Eric Pomerantz explains, Hanesbrands is so much more.

He notes the company is "the intimate apparel category leader in the United States," boasting brands including the namesake Hanes, as well as Bali, Playtex, Donna Karan and DKNY, among others. Moreover, it's the leading manufacturer and marketer of men's underwear and children's underwear in the United States under the Hanes, Champion and Polo Ralph Lauren brands.

In other words, Hanesbrands has a lot of different ways to make money.

That revenue diversity has indeed made for relatively steady revenue and income growth for the better part of the past eight years following a concerted turnaround effort. In 2010, the organization generated $4.3 billion worth of revenue, and over the course of the past four quarters it has done $6.5 billion worth of business. Profits have improved accordingly.

The stock hasn't reflected that persistent success. Shares have fallen from a high near $33 in early 2015 to a current price (and multiyear low) near $18. But Pomerantz thinks that may be enough weakness to invite buyers back in. He suggests HBI is "undervalued with a forward P/E of (less than) 10 and a 3.3% dividend yield."

Lowe's
Market value: $79.1 billion

Add home improvement retailer Lowe's (LOW, $96.96) to your list of the best stocks to buy to finish out the year.

Lowe's has not been bad performer, to be clear. But like the company's revenue growth, the stock's performance has lagged that of rival Home Depot (HD). That could change soon, though, in light of the recently announced selection of new CEO Marvin Ellison. If the name rings a bell, it may be because he took the helm at beleaguered retailer JCPenney (JCP) back in August 2015. More relevantly though, he's a former Home Depot executive who's largely credited for making Home Depot the e-commerce powerhouse some doubters thought was impossible.

Ellison is getting on board at the perfect time. Although Lowe's first-quarter sales and earnings both fell short of estimates thanks to foul weather, its full-year sales growth outlook was ratcheted up from 4% to 5%. The stock jumped more than 9% in response to the news, suggesting investors believe a little Ellison magic may be able to drive even more than 5% growth this year.

Lam Research
Market value: $32.9 billion

Lam Research (LRCX, $202.03) doesn't make any of the products you know, love and use every day. But odds are good it had a major hand in making those products.

Lam Research, in simplest terms, supplies the equipment and tools required to manufacture the microtechnologies that power your favorite electronic equipment. Washington-based Phase 2 Wealth Advisors founder Drew Kellerman explains, "The foundation of the entire computing industry (smart phones, tablets, PCs and every other 'smart' device) are semiconductor chips. Lam is arguably the leading supplier of the machines that produce the wafers that chip makers use to make chips."

It's a double-edged sword. Not being on the proverbial front lines means Lam Research is less prone to scrutiny and cyclical headwinds. But, without a whiz-bang product that excites consumers or corporate customers, Lam isn't likely to ever post "explosive" growth.

Kellerman believes there's more upside with LRCX than not, however, especially in light of the stock's stagnation since November of last year. He noted "Lam's competitive edge is their proprietary technology that produces superior raw materials at a lower cost." The nuance will become increasingly important as technology becomes the backbone of how we live our daily lives. The Internet of Things and autonomous cars are just a couple of examples of the trend Lam Research is tapping into.

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