TFSA Investors: Want to Outperform the TSX Index? Avoid These 2 Stocks

Description

The TSX Index (S&P/TSX Composite index), Canada's benchmark index for its stock market, is up 6.7% since the beginning of 2017 and virtually unchanged this year — up just 1.1% since January.

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Needless to say, those aren't the type of returns that are going to help you become Foolishly rich, retire early, or buy that expensive yacht you've always wanted.

But just because the market hasn't been doing very much lately doesn't mean there isn't any potential to make money out there. Stocks of companies like, for example, **Nutrien, Bausch Health**, and even **Toronto-Dominion Bank** have performed extremely well over that period.

Meanwhile, there are others that have not fared so well; the stocks of **Corus Entertainment** and, to a lesser extent, **Crescent Point Energy** have lost considerable sums of their values, even as the market has been trending higher.

All this means is that if you want to beat the returns of the market, it isn't all that hard to do — particularly when performance has been so mediocre as it has as of late — but it requires careful attention to what's working and what simply isn't.

Two stocks that have performed particularly well in recent memory, but that you may want to avoid over the foreseeable future are **Teck Resources** (TSX:TECK.B)(NYSE:TECK) and **Cenovus Energy** (TSX:CVE)(NYSE:CVE).

Now, don't get me wrong. I happen to think these are two very solid companies — some would even argue that Teck and Cenovus should be considered among the best "blue-chip" companies listed on the TSX.

But we all know the market is volatile even at the best of times.

You could — and there are some who will, no doubt — favour a straightforward buy-and-hold philosophy following a more "hands-off" approach, whereby you buy the security of a company that you like because you think it will continue to produce positive returns and grow steadily over the next 20 years or longer.

That's perfectly fine; that type of strategy is designed to take advantage of the "magic" of compound interest and, in theory, at least, that type of approach should require less attention on your part.

But while I like these two companies long term, I also believe at the present time there are better opportunities elsewhere in the market offering the potential to provide superior returns.

Shareholders of Teck have enjoyed an incredible run over the past couple of years, as shares have gained more than 842% since the beginning of 2016.

But over the past couple of months, Teck shares have begun to give back some of those gains, losing just shy of 23% of their value since June.

The problem is that Teck stock is famously volatile, and now with the shares having recently broken below their 200-day moving average, it's a sign that investors may be losing confidence in the stock.

Cenovus, meanwhile, is a bit of a different story.

Shares at one point gained more than 50% this year from February lows; however, they have since lost close to 19% of those gains and, like Teck, now find themselves trading below their 200-day moving average after a +5% loss as of Thursday's intraday trading.

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Cenovus is still an attractive play for value investors, with the stock still trading below book value, but I have to wonder if the CVE might be finding itself in a bit of a rut.

Meanwhile, if you were looking for a company that would provide you with exposure to the energy sector, you may be better off with something like Crescent Point, which is trading near its 52-week lows, or even **Canadian Natural Resource**, a stock that appears to have a decent bit of momentum behind it.

It depends on what you're after

Contrarian investors may very well choose to take the opposite view, using recent weakness in the shares of Teck and Cenovus to build long-term positions in the companies.

But if you were looking to make some real money today, I might suggest some of the aforementioned alternatives or even a smaller, up-and-coming company you may never have even heard of before.

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Date
2025/06/30
Date Created
2018/09/01
Author
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