2 Radioactive TSX Stocks to Avoid in 2020

Description

As an investor, I am sure that you might have considered taking a good look at the Canadian industrial sector at some point. Talks of recession are at an all-time high, while the anticipation of an economic gyration hitting its peak in 2020 leaves much to be discussed. The nature of the industrial sector makes it susceptible to the effects of a recession.

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Industrial companies are prone to the operations and spending of other companies as other businesses reduce capital spending to recuperate.

If and when a recession strikes, businesses that cater to providing other companies goods and services that they need are likely to suffer the most.

Industrial stocks like **Finning International** (TSX:FTT) and **Magellan Aerospace** (TSX:MAL) are two of the companies you might want to avoid in 2020 amid fears of an impending recession.

Magellan Aerospace

An $873.14 million market capitalization company, Magellan is responsible for designing, developing, manufacturing, and repairing a host of components critical to the aerospace industry.

In times of economic expansion, it's industrial companies like Magellan that offer investors the most excellent chance at financial growth. Unfortunately, these companies also suffer the most during economic downturns.

The most recent recession in 2008 was devastating for Magellan. The company was already doing poorly in 2007, when shareholders were selling off their stocks.

As a result of the recession, the sell-off increased. Almost 95% of all Magellan stocks were sold off by shareholders, and it took the company half a decade to recover to its levels in 2008.

Trading for $15 per share at the time of this writing, Magellan stocks are down almost 21% from a 52-

week high in April 2019.

Finning International

The largest **Caterpillar** dealer for equipment and other products to businesses all over the world, Finning International, is also likely to face the brunt of the effects of the recession.

With operations in Canada, the U.K., Ireland, and South America, Finning has a substantial international presence. More than 50% of its revenue, however, is generated from its domestic operations.

The company relies on the sales of new and used equipment as well as rentals and product support. The sale of new equipment and product support accounts for more than 90% of Finning's total revenue. Its primary client base belongs a range of sectors, including power systems, mining, and construction.

In times of an economic recession, all the sectors where its client base lies suffer drastically. As a result, many companies scale back on capital expenses. The slowdown in 2008 saw 60% of all Finning International stocks sold off by shareholders in the space of a year.

At $24.01 per share, Finning International stocks are down by almost 9% from a 52-week high in June 2019.

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Foolish takeaway

The recession has not even hit the global market, and both Magellan and Finning stocks are exhibiting underwhelming performances. As we head into 2020, I would recommend staying away from both stocks to safeguard your investment.

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