These Canadian Stocks Could Offer a Great Bargain to TFSA Investors

Description

The major sell-off in markets yesterday is too much to take in. Investors rushed to sell their risky stocks after the news that Coronavirus is spreading fast and reaching the heart of Europe.

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Nervous investors dumped stocks indiscriminately, as concern grows over the effects of the Coronavirus on the global economy. In a dramatic day across markets, all main stock benchmarks indices in North America slumped more than 3%. The Dow Jones Industrial Average and S&P erased all of their gains for the year, while Canada's benchmark S&P/TSX Composite Index slipped 1.57%.

This outcome is something that many analysts had predicted, but markets, in general, have continued to ignore the threat on hopes that the easy monetary policy will come to the rescue. After this major plunge, there are several stocks that could offer great bargains for long-term investors, especially those who use their Tax-Free Savings Accounts (TFSAs) to build wealth.

To be sure, there is a lot of short-term uncertainty around. It's hard to predict for anybody how the virus outbreak will evolve from here. But if advanced economies succeed in containing the virus, and the global economy doesn't take a big hit, there is a good chance that stocks will recover. And the current weakness could be a good opportunity for TFSA investors to buy stocks that are selling cheap.

Canadian stocks to consider

One of the biggest opportunities that I see in Canada is **Air Canada** (TSX:AC)(TSX:AC.B), which is down 17% since the start of the year. It trades for just over eight times earnings. Air Canada has started the year with strong momentum. Its stock hit a new record high on January 13, after surging more than 90% in 2019.

The question going forward is whether AC stock could show a similar strength once the virus is out of the way. It is, of course, impossible to predict where any stock will be trading in the next six or 12 months, as there are so many factors that could influence the business and future expectations. Air Canada stock is reacting to global anxiety over the spread of Coronavirus from China, which is severely restricting international travel.

Apart from these short-term risks, however, I don't see any major threat to Air Canada's strong growth momentum. In fact, the economic climate looks more favourable for cyclical stocks such as Air Canada in 2020 than it was last year.

From the oil and gas sector, one stock that investors should keep under their radars is the oil sands producer **Suncor Energy** (TSX:SU)(NYSE:SU). After losing about 13% of its value since mid-January, Suncor's valuation has become compelling, providing investors an opportunity to build a position in this solid company.

Suncor's vertical integration in Canada's oil sands makes it a strong candidate for your long-term investment, especially if you're looking to earn growing dividend income.

Trading at $39.04 at writing and with an annual dividend yield of 4.6%, Suncor has many catalysts that could move its stock higher from these levels. According to analysts' 12-month price target of $50, Suncor has the upside potential of more than 25%. If you're looking to add a quality dividend stock to your portfolio, Suncor may be just right for you after the recent pullback.

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Bottom line

These two stocks offer a long-term appeal for TFSA investors who are willing to buy and hold and earn stable income. Once the dust is settled and the Coronavirus is under control, these shares should bounce back.

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2. Energy Stocks
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2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)

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