3 TSX Stocks to Buy if the Coronavirus Selloff Gets Worse

Description

Earlier this week, the TSX composite index suffered a 10% one-day drop — one of its worst in recent memory. The selloff was attributed to two main factors: ongoing fears about the coronavirus and oil prices. With the virus causing mass travel cancellations and Saudi Aramco slashing its prices, the Canadian markets got a double dose of pain.

Insofar as oil prices are to blame for the crash, that may be justified; it's hard for Canadian producers to profitably sell at current prices, and Canadian banks may see a rise in defaults on oil and gas loans.

However, it may be a different story with the virus panic. Many stocks have been sold off as a result of the panic, and their fundamentals may not actually be that strongly affected. Companies that don't depend too much on international trade may skate through the crisis unscathed, in which case, buying them now will prove to have been wise. The following are just three to consider.

CargoJet

CargoJet is an airline stock that got sold off heavily in last week's panic selling. Airlines do stand to lose money from virus-related travel cancellations. However, CargoJet isn't a *passenger* airline. It's a freight airline, meaning it ships goods by air — most of it domestic. According to IATA, the coronavirus still hasn't had an effect on cargo air volumes. The industry did see a 3.3% drop in demand in January, but that was unrelated. Cargo airlines don't carry large numbers of people, so they aren't big vectors for disease transmission. For this reason, it's unlikely that CargoJet will be forced to cancel flights, like **Air Canada** has.

Fortis

Fortis is Canada's largest publicly traded utility. Like all utilities, it depends relatively little on imports, so its business is unlikely to be affected by the COVID-19 outbreak. Its stock price seems to reflect that fact: down just 4.48% since panic selling began in February, it's fallen far less than the TSX.

If Fortis is doing comparatively well right now, there are two reasons for it. First, the company isn't overly affected by virus concerns, relying little on trade in physical goods. Second, its business is recession resistant, as customers don't cut out heat and light, even in the worst economic times. Fortis does have a long-term contract supplying China with LNG: that part of its business could be in trouble. However, it's a small part of the whole and shouldn't have too big an impact.

Dollarama

Dollarama is a discount retail stock that could benefit if the present panic turns into a full-blown recession. During recessions, people cut down on spending, and shopping at dollar stores is one way to do that. In the 2008/2009 recession, **Dollar Tree** shares rose nearly 200%; in the event of a Canadian recession, we could see similar results for Dollarama. Dollarama has some of the cheapest prices in the country on common grocery items. That's not necessarily due to poor quality, either. If Canadians reach a point where they need to cut down on grocery spending, Dollarama will benefit, and its stock will likely follow suit.

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1. Coronavirus
2. Investing

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