TFSA Investors: 2 TSX Stocks Can Beat This Volatile Market

Description

Investors are sweating over the recent market decline. Stock markets have now entered bear market territory after a 20% fall from record highs. Equity markets in the United States and Canada fell around 5% yesterday after the World Health Organization declared the coronavirus a pandemic.

So where do investors park their funds in a market that is bleeding heavily due to the COVID-19 outbreak and falling oil prices? Here I have identified two stocks that may beat the broader markets in a sell-off.

Barrick Gold

Gold has always been a safe haven for investors in a bear market or economic recession. Shares of **Barrick Gold Corp.** (TSX:ABX)(NYSE:GOLD) are trading 13.7% below 52-week highs compared to the 20% decline in the **Dow Jones** and **S&P 500 Composite Index.**

Barrick Gold will benefit from its huge market presence and diversification, with mining sites in 15 countries across five continents. Further, the company also generates a portion of sales from copper mining and is one of the key players in the metals industry.

Driven by the recent increase in gold prices, Barrick Gold has managed to increase sales from $7.24 billion in 2018 to $9.71 billion in 2019. Analysts expect company sales to reach $11.2 billion by the end of 2022.

Barrick stock is still trading at an attractive valuation. It has a price to book ratio of 1.76 and a price to sales ratio of 3, which is reasonable given the company's growth rates.

However, it's trading at a forward price-to-earnings multiple of 25, and with a five-year estimated earnings growth of 14%, the stock may move lower.

One eye-catching metric for investors is Barrick's forward dividend yield of 1.4%, which can increase further given the company's low payout ratio of 9%.

Barrick is also looking to reduce debt balance and deleverage its balance sheet. In the last quarter, it reduced debt by almost 50% without the sale of non-core assets and just generating healthy operating cash flows.

Northland Power

Another company that may fight the equity market weakness is **Northland Power** (TSX:NPI). The stock has lost 14% in market value in the last month. Despite the recent decline, shares are up 16.6% in the last year. NPI is a Canada-based power producer. It develops, owns and operates green power infrastructure assets in North America and Europe.

NPI has a total renewable energy capacity of 2,500 megawatts and a significant percentage of this capacity has been contracted out. This will result in a stable stream of cash flows, allowing the company to increase dividends and reduce debt balances over time.

Now, the company has announced plans to add another 1,000 megawatts of renewable power to its portfolio, which will drive top-line growth in the upcoming quarters.

The recent stock decline has increased NPI's dividend yield to a healthy 4%. With a payout ratio of 72%, Northland Power has enough room to increase dividends going forward.

It's trading at a forward price-to-earnings multiple of 17, and earnings are expected to rise 12.3% in 2020 — again trading at a reasonable valuation.

Barrick Gold and NPI provide diversification for investors at a time where several industries including oil, consumer technology, retail, and airlines are grappling with low demand.

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2. Metals and Mining Stocks

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2. TSX:ABX (Barrick Mining)
3. TSX:NPI (Northland Power Inc.)

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Date
2025/08/27
Date Created
2020/03/12
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