Market Crash: 1 TSX Stock to Avoid

Description

When it comes to buying stocks these days, a lot of companies look attractive and have great value. After the market crash, investors have been prudent, using these cheap prices to invest for the long term.

And while most companies that are trading this undervalued are probably a buy, there are a select few you'll need to stay away from.

The types of companies you'll want to steer clear of are businesses in industries that will face more headwinds going forward. Even if the economy does rebound rather quickly after this temporary market crash, these companies will face increased risks to their businesses.

It's important you avoid these stocks, as they could be a major drag on your portfolio when markets start to rally.

And when other stocks start to appreciate and return cash through dividends, these stocks could even be losing value. That would be a tremendous disaster after a market crash.

Stocks to avoid in this market crash

Going forward, one of the most at-risk stocks that Canadian investors shouldn't buy is **BRP** (TSX:DOO)(NASDAQ:DOOO).

We are already seeing numerous stocks that have gotten cheap the last few weeks make a strong comeback.

BRP was sold off significantly during the market crash, but as buying has come back to markets, the stock hasn't performed as well as some of the others.

Because the stock hasn't recovered that much, investors may be thinking that it looks cheap at these prices. However, going forward, BRP faces considerable headwinds.

The company has been a great stock the last few years, as consumers were spending. However, as consumer spending is about to slow, BRP's business will be extremely effected.

The company primarily sells expensive items like snowmobiles that, for most, are discretionary purchases. Furthermore, on top of being discretionary purchases, the majority of consumers will probably need debt to help finance their purchases.

After this market crash, as liquidity starts to dry up, this could be a major problem for BRP. In addition, consumer debt in Canada is already extremely high. And now, with many stuck at home unable to work, even with the measures the government is taking, that consumer debt is almost sure to rise.

It's unclear how much BRP's business operations will be impacted or for how long. But at this point, it makes an investment in BRP highly speculative. The risk to the company's main group of consumers is growing by the day.

A top stock in a market crash

Instead, I would consider buying a high-quality stock like **Alimentation Couche-Tard** (TSX:ATD.B) in this market crash.

Alimentation Couche-Tard owns more than 14,800 convenience and gas stations around the world. The company has been a top growth stock the last few years, as Couche-Tard has grown its footprint.

It's also started to focus on its branding a lot more. A few years ago, Couche-Tard had numerous brands in its portfolio. It has now consolidated a number of those into just a handful of different companies. This, it hopes, will help to drive customer loyalty as well as retain and grow sales. It's important that it can grow sales organically, as management has signaled that it wants to focus more on that rather than continuing to grow by acquisition.

Plus, it operates in a defensive industry, so its business shouldn't be too impacted by this crisis.

For long-term investors, that doesn't matter, though. What does matter is that you can still buy Alimentation Couche-Tard for more than 25% off where it was before the market crash. That is a considerable discount, and one that is hard to pass up — especially when you consider how great of a business Couche-Tard has.

Bottom line

The market crash has created considerable value in a number of stocks. However, you need to make sure you know what you are buying, and there aren't hidden risks that could be catastrophic to your future.

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