Stock Market Rebound: How to Invest $5,000 Right Now!

Description

April has witnessed a **TSX** rebound following brutal losses in March. After falling 37%, the TSX rose two weeks in a row, recovering some of its previous losses. The markets remain down from all-time highs, but are now seeing positive momentum.

Amid this environment, many are looking to re-enter the markets — and it may well be a good time to do so. While stock prices are higher than they were at the bottom, they're still much cheaper than in February, which means that bargains abound.

While some stocks will have their fundamentals hit by COVID-19, not all will. Those that emerge from this unscathed could be solid buys. With that in mind, the following are two strategies for investing $5,000 during the stock market rebound.

Strategy #1: safe plays

The simplest strategy you can follow right now is to invest in "safe" stocks whose fundamentals won't be hit by COVID-19 or the oil price crash. There aren't too many of those around, but they do exist.

One promising stock in this category is **Fortis Inc** (TSX:FTS)(NYSE:FTS). As a utility, it's well prepared to survive during the lockdowns and even in the event of a prolonged recession.

Utilities are essential services and can therefore remain operational through COVID-19 lockdowns. They also enjoy inelastic demand, so their services can survive during recessions.

In 2008 and 2009–the global recession years–Fortis grew its earnings two years in a row. It also increased its dividend. This kind of resilience is what you'll want in the event that the COVID-19 downturn turns into a prolonged recession.

Strategy #2: distressed plays

A riskier and more complicated strategy is to invest in distressed stocks that are still way down from past highs. While this strategy could result in massive losses, it could also produce huge gains.

One example of a stock that's good for this strategy is **Air Canada** (TSX:AC)(TSX:AC.B) As I've written in numerous articles, AC is facing serious problems right now: grounded flights, tanking revenue, dwindling cash — the goes on.

It's precisely these problems that could make AC an attractive buy. Due to the company's business collapse, investors have sent Air Canada's stock into the gutter.

As a result, it trades at just 3.7 times earnings and 1.15 times book value–a veritable bargain. Granted, the P/E ratio is almost certainly higher going off *forward* earnings. But we've got a company that's trading for just barely more than book value. In fact, until recently, it could have been purchased for *less* than book value.

Assuming it can get back to business as usual fairly soon, these facts make Air Canada an attractive buy. However, nobody knows whether that will happen.

As long as COVID-19 is a going concern, Air Canada's flight volume will be way down. The company is also struggling with liquidity, as is evidenced by its abrupt, panicky move to stop issuing refunds.

So while there's potential for big gains here, there's also a great deal of risk — and extreme volatility is guaranteed.

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2. TSX:AC (Air Canada)
3. TSX:FTS (Fortis Inc.)

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