2 TSX Stocks to Stay Away From in the Current Market

Description

As COVID-19 continues to wreak havoc on global health, the stock markets have staged a comeback. However, while most of the market has risen, there are some stocks that might have a false dawn. These stocks have gone up because of the general rise in all indices, but they are unlikely to sustain in the short term.

SNC-Lavalin (TSX:SNC) is a professional services and project management company that operates in four strategic sectors, including EDPM (engineering, design and project management), infrastructure, nuclear and resources.

SNC was trading at almost $33 levels at the start of March 2020, and the stock price fell to below $19 on April 1. It has since recovered to $24.2, but I wouldn't be too sure of further upside.

Uncertain economic times aren't the best times for the construction sector, and it's unlikely that SNC clients will begin new projects. As the world recovers from the economic shocks induced by the COVID-19, it's reasonable to expect that SNC clients will move slowly on their current projects.

Even before COVID-19, SNC stock was impacted heavily by corruption charges. Just when it seemed that the company had put the charges behind it, the world was hit by the virus.

SNC has withdrawn its guidance for 2020. In a press release, the company said, "Given the consequences of the unprecedented and rapidly changing nature of the COVID-19 situation, and the impact on the company's worldwide operations, the 2020 financial outlook that was provided by the company on February 28, 2020 is no longer valid in these circumstances." Expect a lot of renegotiation between SNC and their clients in the post-COVID-19 future.

The company doesn't make sense as a dividend play either. It sports a paltry 0.34% forward yield even at such low stock prices.

Why Air Canada stock will be range-bound?

Air Canada (TSX:AC)(TSX:AC.B) is another stock that fell from over $52 in January 2020 to less than $13 in March 2020. While it has since rebounded to almost $20, I would still stay away from this stock.

The situation around air travel is still very fluid and there is no guarantee that there would be no second round of lockdowns across the world.

In fact, countries such as India have just extended their lockdowns until the end of April. Singapore went into lockdown in the first week of April. Lockdowns in France and the U.K. are expected to roll over to May.

In such a situation, it is very unlikely that air travel would return to normalcy. People are going to be very wary of setting foot in an airplane and you should be very wary of adding an airline stock to your portfolio, no matter how tempting the price is right now.

Air Canada cut capacity by up to 90% and announced cost-cutting measures. However, these might be not enough to stave off the effects of the virus.

The company might need a bailout to get out if the situation persists beyond May. It’s too much of a risk to invest in this stock.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/27
Date Created
2020/04/16
Author
araghunath