4 Top Canadian Stocks to Buy for the Super Long Term

Description

Today let's take a look at some of the Canadian stocks that nobody wants to touch right now. These four names are exemplary of a handful of sectors that have been seriously chewed up by the market crash. Four stocks representing Canada's most oversold sectors, from banking and insurance to airlines and energy.

Right now this quartet of quandaries might seem unacceptably toxic. But are they actually beaten-up buys for the super long-term?

Look beyond the bear market rallies. Imagine a full recovery. Which **TSX** stocks would be back to business as usual? Which names would have bounced back? Chances are that many of those names might be seeping toxins into your TSX stock portfolio right now.

They might be names you've sold. They might even be names that you're considering buying. But all four could come back with a roar when the stock markets recover.

There's a name for the type of bear market rally that the TSX enjoyed at the start of the week. It was a dead cat bounce – a false rally caused by a mix of hope, value investing, and short covering.

These kinds of rallies are useful to investors looking to upgrade their portfolios. Rising share prices allow investors to trim weak names and reduce capital risk. But these types of rallies are not to be trusted.

Oversold Canadian stocks will recover in the long-run

There are still whole sectors packed with toxic TSX stocks right now. One sector that has performed surprisingly badly during the market crash is insurance. The insurance sector has emerged as a vector of cyclical risk, not unlike banking.

Even insurance heavyweights like **Manulife Financial** have fared poorly. The stock is down 38% in the last three months. In short, it's a strong contrarian play for the super long-term.

Speaking of banking, **TD Bank** is also oversold. Investors are right to be worried that banks will take a big hit as the country wades into recession.

Shareholders in these types of Canadian stocks are no doubt wondering how safe dividends might be if the country begins, *en masse*, to renege on their debt responsibilities. But new investors have both a beaten-up share price (down 24% since January) and a 5.8% yield to consider locking in.

Two of the worst performers on the TSX right now are undoubtedly airlines and energy stocks. Nobody is flying and entire sectors have switched off the lights in an effort to "flatten the curve" of the coronavirus outbreak.

All of this makes names like **Air Canada** and energy giant **Enbridge** strong contrarian plays at the moment. Indeed, interest in Air Canada in particular has soared just as much as its share price has tanked.

The bottom line

Never mind the dead cat bounce. Bear market rallies are useful for trimming weaker names from a TSX stock portfolio. However, the market is nowhere near a full recover.

Indeed, economic pain could be the norm for the foreseeable future. Investors should instead look super long term. This will allow value opportunities to stand out, rather than get hidden in the headline blur of current market volatility.

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