Market Rally: 2 Battered Stocks to Invest With an Extra $2,000

Description

The coronavirus pandemic has wreaked havoc on the **TSX Index**, bringing down the banking, travel, restaurant, energy, retail, and office real estate industries to unprecedented depths.

Many investors may find it tough to value stocks within the hardest-hit industries with any degree of precision. With the haze of uncertainty clouding the intermediate-term future of names at ground zero of the coronavirus-induced sell-off, it may make sense to shun such names, especially after the unprecedented collapse in their share prices.

If you've got excess liquidity, however, it does make sense to place modest $1,000 bets on each of the following two names for a shot at outsized upside in a sustained market rally.

Without further ado, consider the following deep-value plays:

Aritzia

Aritzia (TSX:ATZ) was doing so well before the coronavirus gripped this market. The company has an incredible omni-channel presence. With its fast-growing brand equity and great success in its expansion into the U.S. market, the Canadian women's fashion firm appeared unstoppable.

Fast forward to today and Aritzia stock looks downright toxic, with shopping malls that now feel like barren wastelands. It's not just COVID-19's drastic near-term impact on mall traffic that will be a drag on Aritzia stock.

As a discretionary retailer, it's going to be tough for the company to get back to pre-pandemic heights, with the looming recession.

Sure, Aritzia's long-term fundamentals are still very much intact, but even it is not immune to the amplified downside that comes with being a discretionary retailer. With an unprecedented rise in unemployment, people will be reluctant to spend on Aritzia's pricy articles of clothing, potentially for years.

As such, I expect Aritzia could be in for more of an L-shaped recovery relative to the broader market indices.

With the stock currently down over 45% from its high, though, a recession and prolonged recovery is already baked into the share price, making Aritzia a compelling buy for those willing to hold the name through the recession to the next expansionary phase of the economic cycle.

H&R REIT

H&R REIT (TSX:HR.UN) a diversified REIT that got hit ridiculously hard by the coronavirus. The name is heavily exposed to the office and retail real estate sub-industries, both of which may never return to pre-pandemic norms after this whole ordeal is over with.

We're entering a profound work from home movement. Many firms have been forced to adopt new technologies to make it possible for employees to get work done at home without having everyone go into the office and run the risk of breaking social-distancing practices.

Many firms are discovering that productivity hasn't been significantly impacted and that it is possible to run a company efficiently without having to pay up for a tonne of office space.

As a result, office REITs could be in for a doozy well after COVID-19 is long and gone, which is why pure office and office-weighted REITs have taken a brunt of the damage, with H&R REIT imploding nearly 70% from peak to trough.

While coronavirus has likely produced long-lived headwinds for the office (and retail) real estate sub-industries, the damage to H&R REIT shares has been overblown.

The company owns some prime properties across the country, and although office vacancies are likely to spike over the medium-term, there is an opportunity for potentially promising repurposing projects.

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TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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