



Canadian Tire Stock Could Skyrocket in a Return to Normalcy

Description

If the businesses were to [re-open](#) over the coming weeks and months, there's a high likelihood that many Canadian consumers would opt to continue staying at home, even if the risk of contracting [COVID-19](#) were to be lowered.

Heck, some folks see the retail landscape changing for good after the pandemic is over. For a brick-and-mortar-focused discretionary retailer like **Canadian Tire** ([TSX:CTC.A](#)), such a permanent change in consumer behaviour would be a devastating blow given the company's extensive physical reach.

Canadian Tire will eventually get its “big edge” back

While Canadian Tire does have an e-commerce platform, it's the brick-and-mortar presence that gives the company a real edge over the competition. Few of Canadian Tire's competitors can say that they have a physical store in close proximity to the average Canadian. And once it's safer to go outside again, Canadian Tire will regain its physical edge sooner rather than later.

Why?

Many Canadian consumers are probably suffering from a bad case of cabin fever and are itching to return to the normal routine, which includes going to restaurants and local retailers. Self-isolation and the coronavirus pandemic have indeed taken a toll on the mental health of many.

Once the risk of getting infected is diminished, many Canadians will be longing for some return to normalcy as the economy looks to cautiously re-open for business, whether that means going to the restaurant or the local Canadian Tire to pick up that discretionary good. I therefore see compelling value to be had in Canadian Tire stock at these unprecedented depths.

Canadian Tire could bounce on a return to semi-normalcy

Just have a look at Canadian Tire stock. Shares have crashed harder and about the same magnitude

as during the 2007-08 Financial Crisis. This type of decline makes no sense, especially given the higher possibility that the economy could face a quicker recovery than during the Great Recession thanks to an unprecedented amount of fiscal stimulus.

Based on the stock chart, Canadian Tire stock definitely seems like the next big-box retailer that's going the way of the Dodo bird because of COVID-19. When you consider the firm's sufficient liquidity position and a sales recovery that could happen in a partial (or full) re-opening of the economy in summer, the risk/reward trade-off on Canadian Tire stock becomes too good to ignore for Canadian investors seeking to outsized gains.

Foolish takeaway

Canadian Tire isn't going anywhere. While the company could witness a few ugly quarters, but given the damage already done, I find it hard to believe there's much more downside in the iconic Canadian company that currently trades at 0.4 times sales.

Stay hungry. Stay Foolish.

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