Coronavirus Canada: These TSX Stocks Are Set to Spike

Description

The coronavirus outbreak in most parts of Canada has subsided. Restaurants and retailers in British Columbia and Alberta have started to re-open.

Recently, *Ipsos* conducted a poll, which suggested that 63% of Canadians want to go to the mall and 60% desire to dine in at restaurants. Only 32% want to stay in a hotel, 22% wish to attend a live concert, festival, or play, and 18% want to attend a live sporting event.

The results give a big hint on which TSX stocks could spike in the coming months from a jumpstart of the Canadian economy.

Aritzia

In the last few years, **Aritzia** (TSX:ATZ) had done very well as a design house and fashion retailer after being listed — up until the COVID-19 crisis.

Like many others, it closed its retail locations to keep the virus at bay. That said, people could still shop for its unique offerings at its online store.

Even if it had opened its more than 80 retail locations, sales would still be miserable. After all, in the last couple of months, most people were either working from home or out of work. If anything, there could have been a spike in pajama sales.

With businesses re-opening in provinces like B.C. and Alberta, quality brand Aritzia should see its sales start to recover.

In six to 12 months, there's hope that it could recover to its normal sales levels. For reference, it reported sales of $267 million last quarter.

Before things normalize, though, be ready for bad quarterly results or guidance that will come out on May 28.

If you're 100% behind Artizia's quality brand and products, consider buying shares on dips over the next few months.

RioCan REIT

Canadian investors might not want to bet on one retailer. Since the majority of Canadians are itching to go to a mall, it makes good sense to buy some **RioCan REIT** (TSX:REI.UN) shares.

RioCan has malls in major markets in Canada, where the normalized occupancy and net operating income growth are typically higher.

The retail REIT generates more than 90% of its rental revenue from the six major markets, including 51% from the Greater Toronto Area, 12% from Ottawa, 9% from Calgary, 6% from Edmonton, 5% from Vancouver, and 5% from Montreal.

Grocery stores are an essential defensive component for retail REITs through troughs of economic cycles and throughout this coronavirus pandemic. Indeed, RioCan has a focus on necessity-based and service-oriented tenants like grocery stores from which it generates 75% of its revenue.

Moreover, in the major markets, only 9% of RioCan's rental revenue comes from enclosed malls, which some people are worried about a greater chance of spread of COVID-19. About 24% come from each of open-air centres and mixed-use properties.

RioCan managed to collect 55% of its rents in April. It expects to receive another 28% as well as approved rent deferral for the remaining 17%.

The stock trades at roughly a 50% discount from earlier this year, while it has maintained its generous dividend so far. At writing, it offers a juicy yield of close to 10.5%.

The Foolish takeaway

Retailers and restaurants re-opening in Canada is great news for Aritzia and RioCan. As their operations normalize and they report stabilized numbers over the next six to 24 months, their stocks should trade at much higher levels.

In the case of RioCan, investors also get nice income for waiting.

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TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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