2 TSX Stocks That Investors Are Better Off Not Buying in 2020

Description

Successful stock market investing involves looking for right stocks to buy. However, what's even more important is to know which stocks to avoid. The current economic scenario indicates that investors should stay away from stocks that are surrounded by uncertainties and have low liquidity.

Here are the two TSX stocks that I would prefer to avoid in 2020.

Aurora Cannabis

The astounding growth in **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) stock must have caught your attention. Shares of Aurora Cannabis have more than doubled in less than two months. The stellar growth in Aurora Cannabis stock reflects its strong Q3 performance and upbeat EBITDA outlook.

The company's revenues marked double-digit growth on a sequential and year-over-year basis. Besides, Aurora Cannabis managed to lower its cash costs and reduce its losses. The company is yet to report a positive EBITDA, but management expects that to change in the first quarter of fiscal 2021. Besides reporting strong quarterly numbers, consolidation of its stock was an encouraging move.

Despite the strong surge in its value, I have a negative outlook on the Aurora Cannabis stock, as one or two strong quarterly performance doesn't indicate a turnaround in its fortune. Besides, my outlook for the cannabis industry is quite bearish. The long-term viability of the sector is under question, as the thriving black market, supply-chain issues, and lack of access to funding pose serious threats. Besides, the increase in the number of companies entering the pot market continues to squeeze margins by driving prices lower.

I believe the fundamental issues like the lack of liquidity and uncertainty over the legalization in several markets indicates that investors are better off buying cannabis stock in 2020. As for Aurora Cannabis, the surge in its stock price presents an excellent opportunity to book profits and make an exit.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is another stock which I would prefer to stay away from in 2020. Suncor looks tempting due to the sharp drop in its stock price. Shares of Suncor Energy have declined by about 42% so far this year. Besides, the company's integrated business model mitigates some of the risks arising from volatility in oil prices. Also, liquidity is not a concern for Suncor Energy.

However, there are too many uncertainties surrounding the oil and gas industry, which keeps me at bay. While the reopening of the economy ignites hopes of the recovery in oil prices, it is highly uncertain at what pace the recovery might come. Besides, Suncor expects crude oil prices to stay low in the next one to two years, reflecting demand-supply imbalance. Also, a lack of coordination among OPEC nations is a cause of concern for the industry.

Suncor announced about 55% cut in its dividend, suspended its share-buyback program, and plans to reduce its operating expenses by 10% year over year. Moreover, the company significantly lowered its capex guidance for 2020. While these steps are prudent to lower the cash breakeven price for Suncor, it isn't good news for shareholders and indicates challenges ahead.

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