



## 2 TSX Stocks Rallying as Economies Reopen

### Description

There's no question that buying **TSX** stocks with defensive businesses is key in this environment. This pandemic is unlike anything we have ever seen before.

Businesses that would normally be considered defensive have been heavily impacted by economic shutdowns. One of those businesses is gas stations and fuel suppliers.

In a regular recession, demand for fuel may decline a little, as there is lower economic activity. In general, though, demand is highly inelastic.

Throughout March and April, however, with stay-at-home orders in effect, fuel demand dropped off at unprecedented levels.

What's noteworthy is just how much gasoline demand has changed throughout the pandemic. Total U.S gasoline demand was 7.5 million barrels per day last week (down 20% year over year). That's almost 50% more than the 5.3 million barrels per day of gasoline demand back in the middle of April (down 44% year over year).

It's clear that as economies reopen, these TSX stocks are set for major gains. So, it's important investors gain exposure soon.

### Large-cap TSX growth stock

The first stock on the list is **Alimentation Couche-Tard** (TSX:ATD.B). Couche-Tard didn't suffer as big of losses as some other stocks on the TSX due to the defensive nature of its business.

The company owns nearly 15,000 convenience stores and gas stations all over the world. These are normally businesses with highly inelastic demand; however, with stay-at-home orders grinding travel to a halt, the company was impacted a fair bit.

Despite that, the stock has been extremely robust. But as businesses continue to open back up and

M&A activity picks up, this top TSX growth stock could resume its rapid growth.

The growth through M&A has been impressive to this point, but management is now shifting to focus more on organic growth to complement the acquisitions it continues to make.

One of the ways [Couche-Tard](#) has looked to drive organic growth is through strong branding, which it expects will drive more customer loyalty.

The company also has significant competitive advantages such as size and scale, which allow it to compete better against small sole proprietor convenience stores and gas stations.

As of Monday's close, the TSX stock was trading just over \$41. This represents a 16.9 times price-to-earnings ratio and a more than 10% discount from its all-time high.

## Mid-cap TSX growth stock

The other TSX stock to consider would be **Parkland** ([TSX:PKI](#)). Parkland is the one stock that's likely to get a bigger boost. The company is more weighted to the fuel supply business, although it does still have a significant convenience store business.

That's what helped keep the stock strong and resilient as fuel demand dropped of significantly in late March and April.

In April specifically, Parkland's volumes were down 35% in Canada, 20% in the U.S., and 40% internationally.

As expected, sales of cigarettes, alcohol, and essential household items all saw relatively inelastic demand and helped to offset lower fuel volumes.

Now, as investors look to the future and better economic times, the stock, which has already recovered by more than 100%, still has considerable growth potential.

As of Monday's close, the stock remained more than 20% off its 52-week high. Plus, its dividend yields roughly 3.2%. That's a significant amount for a such a strong growth stock.

Now that the shutdowns are over, even with slower economic activity Parkland will remain a top defensive business. So, if you're looking to buy high-potential stocks today, Parkland is one of the only high-quality TSX [energy stocks](#) to buy in this environment.

## Bottom line

Although these two businesses were hit unexpectedly by an unprecedented pandemic, they still remain some of the most defensive TSX stocks. In addition, these companies are attractive growth stocks with huge potential, making them the perfect businesses to invest in, as the economy continues to reopen.

### CATEGORY

1. Coronavirus

2. Dividend Stocks
3. Investing

## **TICKERS GLOBAL**

1. TSX:PKI (Parkland Fuel Corporation)

## **PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## **Category**

1. Coronavirus
2. Dividend Stocks
3. Investing

## **Date**

2025/08/26

## **Date Created**

2020/06/09

## **Author**

danieldacosta

default watermark

default watermark