COVID-19: 3 Hard-Hit Stocks That Could Bounce Back With a Vengeance

Description

Early on in the COVID-19 market crash, almost all **TSX** stocks were hit hard. In the initial confusion and uncertainty, investors pulled out of equities in record numbers, not knowing what the ultimate economic consequences would be.

Later, when it became increasingly obvious who would bear the brunt of the pandemic, there was a clearer separation of winners and losers. Through April and May, airline and bank stocks remained down, while other industries quickly soared back to their previous highs.

In this environment, stocks as a whole are rapidly climbing. Some stocks, however, remain beaten down. While some have been beaten down justifiably, others could bounce back quickly in the months ahead. The following are three such stocks that have the potential to come back with a vengeance.

Canadian Tire

The Canadian Tire Corp (TSX:CTC.A) is one stock that got absolutely ravaged in the COVID-19 market crash. Top to bottom, it fell 52%, far more than the **TSX** index in the same time period.

This fact was attributable to a combination of factors that made Canadian Tire uniquely vulnerable to the pandemic. First, as a retailer, it lost customer volume to social distancing restrictions.

Second, as a gas station operator, it had to contend with lower demand for gasoline. Third, some of its businesses were closed altogether, like the clothing store Marks.

As a result of all these factors, Canadian Tire had a brutal first quarter, with earnings down to $-0.22 from $1.12. However, the company stands to bounce back as the economy re-opens, which is reflected in its rising share price.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is another Canadian stock that got badly beaten down in the COVID-19 market crash. Faced with plummeting demand for oil, the company's shares fell over 30%. At first glance, the beating appears to have been justified by the company's Q1 earnings.

In the first quarter, the company lost $1.4 billion, after earning a $1.8 billion in the same quarter a year before.

However, on closer inspection, we see that that was mainly due to a non-cash impairment charge. The company's adjusted earnings of $1.6 billion therefore seem like a more useful metric. In any case, demand for oil is picking back up, and April's "negative oil" scare is long in the rearview mirror.

Buying Enbridge now seems like a good opportunity to snap up a beaten down stock while it's still relatively cheap.

Fortis

You might be surprised to see **Fortis Inc** (TSX:FTS)(NYSE:FTS) on this list. At $53.88 as of this writing, it's barely down from its all-time high. However, the stock is cheaper than it was in the past, despite the fact that the underlying business is doing well.

In Q1, the company posted only a tiny decline in earnings, in a quarter where many businesses were getting hammered.

Additionally, as a result of the low interest rates we're now seeing, the company can finance its $18.8 billion capital expenditure program at lower cost. This is one stock that stands to benefit massively from the prevailing macroeconomic trends.

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