3 TSX Stocks to Avoid This Summer

Description

As we move through the midway point of 2020, it is hard to find many positives in one of the most tumultuous years in recent memory. Canadian stocks suffered a sharp retreat in the late winter and early spring but have managed to rebound even in the face of worsening economic data. Today, I want to look at three TSX stocks that Canadians may want to avoid as we move into the summer.

TSX stocks: Why Indigo is in big trouble to start this decade

Indigo Books & Music (TSX:IDG) operates as a book, gift, and specialty toy retailer in Canada and the United States. If you're caught up on your retail history, or if you've seen *You've Got Mail*, you know that big-box stores managed to push out many of their smaller counterparts in the late 20th and early 21st century. Interestingly, the rise of digital commerce now poses a huge threat to these brick-and-mortar behemoths.

Shares of Indigo have plunged 71% in 2020 as of close on June 18. Back in April, I'd discussed how the COVID-19 pandemic and subsequent shutdowns could accelerate business trends like the decline of traditional cinema. Indigo has sought to make up ground in the digital space, but **Amazon** has established a dominant foothold.

In April, Indigo announced the temporary layoff of 5,200 of its retail employees. Investors can expect to see its fourth-quarter and full-year fiscal 2020 results on June 24. As it stands today, it is hard to have much faith in this struggling TSX stock.

How long will it take for auto sales to bounce back?

The Canadian auto sector has been cursed with lofty expectations in recent years. Auto sales soared to record levels in 2018, only to dip marginally in the following year. Although 2019 was still a historically strong year, this year-over-year dip drove investors away from stocks like **AutoCanada**. Now, the COVID-19 pandemic has dealt a serious blow to auto dealerships across North America.

Shares of AutoCanada have dropped 26% in 2020 as of close on June 18. However, the stock has surged 76% over the past three months. In the first quarter of 2020, the company reported a net loss of $46.9 million. On the bright side, AutoCanada continued to outperform the broader Canadian market.

Provinces across Canada are reopening, but it may take time for relief to come for this TSX stock. Economic turmoil has put many Canadians in a dire financial position. This could put more pressure on vehicle sales activity in the near term.

Why luxury retailers are a gamble

Canada Goose attracted skepticism when it launched its IPO back in March 2017. Many investors questioned the strength of the luxury winter clothing brand. The stock has dropped 29% in 2020 so far, but its shares are up 43% over the past three months.

Luxury retailers could take a hit in this difficult economic climate. Fortunately, Canada Goose can lean on its promising performance in Asia. The upcoming 2022 Winter Olympics in Beijing could serve as a fantastic branding opportunity for Canada Goose. Moreover, this TSX stock boasts a very strong balance sheet. Canada Goose is a risky buy to kick off this summer, but the stock is worth monitoring going forward.

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