



## Reopening Rollback: 2 TSX Stocks at Risk of Correcting

### Description

Various U.S. states are suffering a [resurgence](#) in coronavirus cases, which could spark a reopening rollback that could sweep the country. With the stock market pricing in a somewhat smooth economic reopening with a semi-return to normalcy, investors need to be careful with some of the harder-hit names out there, as they could be headed back to their March lows at the drop of a hat.

Fear turned into greed, and it'll turn back to fear again. That's the [nature of markets](#). All you can do as an investor is be ready to roll with the punches thrown by Mr. Market as they come, trimming on the upswings and loading up on the pullbacks.

If you're looking to take some profit off the table after the unprecedented relief rally that's almost as unprecedented as the February-March meltdown, it may be time to consider trimming the following three TSX stocks, as their prices of admission have gone up in conjunction with their slate of risks in recent months.

## Canadian Natural Resources

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) took a beating amid the coronavirus-induced oil demand shock. Relative to most of its peers in the ailing Albertan oil patch, though, CNQ has enjoyed a big comeback, with shares soaring over 160% from the March trough to the June peak.

Why has CNQ been such a big upward mover?

The stock took too big a hit earlier in the year. That's a given. But part of the reason why I think CNQ has been more of a darling in the latest relief rally is due to the fact that the firm kept its dividend intact, unlike **Suncor Energy**, which took its dividend to the chopping block amid the turmoil.

Prior to the pandemic, CNQ and Suncor sported similarly sized yields. Now, CNQ has nearly double the yield (currently at 7.3%) of its oil sands peer. I'd imagine that many Suncor investors have jumped ship to get their income fix from CNQ, which looks committed to insulating its shareholders from the violent commodity price environment.

While CNQ has a safe dividend in theory, the longer this horrific oil price environment lasts, the less stable the firm's financial footing will get. CNQ has a considerable amount of debt on the balance sheet and could be ripe for a huge pullback should management revisit its overly generous dividend policy.

My takeaway? Get ready for a pullback, as coronavirus cases spike, adding further pressure on oil prices, which will, in turn, put pressure on CNQ stock and its dividend.

CNQ has a wonderful business, but it's still at the mercy of exogenous factors at this juncture. So, buyer beware.

## Magna International

Speaking of relief rallies getting too ahead of themselves, auto-parts maker **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) may be in a spot to surrender a chunk of the gains posted in its recent relief rally. Shares of MG surged over 80% from trough to peak and could be on the cusp of suffering a reversal of fortune, as market sentiment turns gloomy once again.

Sure, car ownership could enjoy a continued bounce, as commuting and ride-sharing remain risky in the era of the coronavirus. But with the unprecedented rise in unemployment, the autos may just be getting a short-term boost that could follow a massive slump. Cyclical stocks like Magna tend to experience amplified downside in severe economic downturns, so investors would be wise to do their homework with the name in the face of what could be the worst economic downturn since the Great Depression.

Moreover, once the pandemic passes, and the coronavirus recession (or depression) remains, Magna could be dealt a one-two punch to the gut, as auto spending tanks in conjunction with falling discretionary spending, and more economical methods of transportation become safe again.

A cyclical like Magna may be a great way to maximize your upside come the next bull market. But now is not the time, as economic woes are likely to last years. Magna stock is cheap at 1.3 times book, but investors should demand a discount to book given the profound uncertainties brought forth by the coronavirus pandemic.

### CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:MGA (Magna International Inc.)

3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:MG (Magna International Inc.)

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