



Warning: Don't Buy These 2 TSX Stocks

Description

These two **TSX** stocks may seem like they are trading ultra-cheap, but the high-risk nature of their business makes the stocks uninvestable.

The market environment in the last few months has been the perfect opportunity to buy TSX stocks. TSX value stocks that were oversold below their fair value were great investments to make, and some have even [returned over 100%](#).

Despite this opportunistic market and the wide variety of stocks that have appreciated rapidly, there are still plenty of stocks with high risk that investors should avoid.

The coronavirus pandemic is an unprecedented event in modern history. So, we are still waiting to see the full impacts on businesses, which complicates matters even more for investors.

It's not enough for investors to find high-quality stocks. Investors also need to make sure that their businesses aren't exposed today and won't be in the future as a result of the [coronavirus](#) pandemic.

With that in mind, here are two TSX stocks for investors to avoid at all costs.

TSX restaurant stock

I would caution all investors to avoid dine-in restaurant stocks on the TSX. A stock like **Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)) is a perfect example.

Restaurants have seen some of the biggest impacts of any industry. Some restaurants have been forced to shut down for over three months.

Although now most restaurants have been able to reopen in some capacity, several headwinds will weigh on the industry.

For starters, the restaurant industry is already a highly competitive industry. So, with times being tough,

a lot of restaurants may not be able to break even any longer.

Another potential headwind for these stocks is a prolonged recession. This coupled with an overexposed Canadian consumer will weigh heavily on discretionary spending. And one of the easiest ways to cut discretionary spending is by eating at home.

Another thing that will weigh on the industry's recovery is the reduced capacity allowed at reopening restaurants. This coupled with a naturally competitive industry spells major trouble for a lot of businesses.

TSX restaurant stocks clearly have a long road to recovery ahead. So, I would avoid any dine-in businesses, such as Boston Pizza.

Boston Pizza had to suspend its dividend early in the pandemic. This was on the back of a poor year of performance for the royalty fund.

What could hurt Boston Pizza even more going forward is a prolonged recession. This would likely cause a number of the stores in its restaurant pool to close for good. That would be a big disaster and hurt the company's passive-income stream when things do get back to normal.

Until there is more clarity of the impacts on restaurant businesses, I would avoid stocks like Boston Pizza.

Airline stock

Another stock to avoid is **Air Canada** ([TSX:AC](#)). The outlook for the airline industry has a lot of similarities to restaurants.

Firstly, the industry might be the most impacted by the coronavirus. Air Canada specifically saw more than 95% of its volume down at the worst of the first wave.

However, not only has the last few months been harsh, but the outlook for airlines is even worse.

Given that closing borders is one of the easiest ways to contain the coronavirus, I expect many countries to utilize these measures throughout the pandemic. And no industry will be more affected by border closures than airlines.

The uncertainty around the industry is just way too high. Investors may think this is a cheap price and that there is significant upside in the shares. That is entirely possible.

However, it's also possible the company will have to continue to raise cash to survive the pandemic. This could end up causing considerable dilution for shareholders.

Bottom line

Any industry that's facing this many headwinds and has high uncertainty regarding the outcome of this pandemic should be avoided by investors.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)

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Author

danieldacosta

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