2 Top Stocks to Buy for the Upside in July

Description

As we head into the second half of the year, investors will be watching to see whether trends that sprouted during the pandemic continue to run. Though bulls are pushing up high-risk assets, the casual long-term shareholder should focus on matching positive momentum with quality. Today, we will take a quick look at two names that satisfy this thesis. Both names also pay a small dividend, satisfying a passive-income strategy.

This breakout Canadian lumber stock is pulling back

Looking at its 72% bounce in the last three months, wide-moat **Norbord** (TSX:OSB)(NYSE:OSB) could be a potentially overlooked multibagger. But while this top lumber stock has been rocketing to dizzy heights during the last quarter, the last five days have been overall negative by a point and a half. It looks like it's time to buy the dip. And there are two good reasons why this stock could break out again later on in the year.

A change of faces at the White House might see a reversal of the recent protectionist policies that have been weighing on the Canadian materials industry. A post-pandemic building boom could also see Norbord break out again. Take a look across the pond, and you'll see that one of the U.K. government's policies right now is to build its way out of recession. Property development could boom in Canada, too. Norbord could jump again this year.

Two aerospace stocks; one winner

Air Canada (TSX:AC) has been angling to cream some of that cargo-only upside. The move comes as the nation's flag-carrying airline rolls back on social distancing, reverting to United Nations aviation agency and IATA guidelines. The problem is, though, that relaxing social-distancing measures without a vaccine could turn out to be bad economics. Near-term profits might prove unsustainable during a potential second wave of COVID-19.

So, perhaps that's why last week saw this major commercial airline also getting into time-sensitive cargo-only flights. Its new sideline is fairly comprehensive. European destinations may soon be followed by domestic services using Air Canada Express craft. South American routes are also being planned in the meantime. But there’s a better stock for investors to buy if they want an infrastructure play in the aerospace sector: **Cargojet** (TSX:CJT).

Cargojet is serving a triple purpose at the moment. Firstly, contrarians are buying anything to do with aerospace. The combination of sudden deep devaluation with the potential for a near-term rally is too tempting to pass up. Secondly, traders are chasing names purely for the momentum, running green tickers regardless of the business. Thirdly, investors are rewarding Cargojet for its ~~defensive,~~ wide-moat status.

For the long-term investor, it is this latter quality that makes Cargojet stock a clear buy right now. But the prospect of capital gains in the near term shouldn’t be overlooked either. By pairing Cargojet with Norbord, Canadians gain access to a pair of strong business types that may be lacking in their current stock portfolios. Both names are also currently pulling back, making now a good time to start stacking shares.

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