Summer Slump? 2 TSX Stocks Going in Opposite Directions

Description

The COVID-19 pandemic has taken a major toll on many of Canada's industries. Today, I want to focus on the auto sector and the traditional cinema space. Both have seen activity plummet due to the pandemic. However, two top TSX stocks connected to both sectors have moved in opposite directions in recent months. Should we expect that trend to continue? Let's jump in.

One TSX stock that has defied expectations

In early June, I'd discussed why **AutoCanada** (TSX:ACQ) stock looked like a risky bet due to the turbulence in its respective sector. Shares of this TSX stock have climbed 32% month over month as of close on July 2. The stock has surged 120% over the past three months.

AutoCanada released its first-quarter 2020 results on June 3. The company reiterated that its near-term concern in the face of the pandemic was to protect cash and liquidity while adjusting operations to fit safety guidelines. In Q1 2020, revenue fell 4.1% year over year to $708.8 million. Meanwhile, total vehicles sold decreased 12.8% to 13,735.

DesRosiers Automotive Consultants recently reported that Canadian vehicle sales fell 16% in June. However, there were signs of a rebound as the economy reopened. Once again, AutoCanada managed to outpace its peers.

Shares of this TSX stock last had a favourable price-to-book value of one. It suspended its quarterly dividend of $0.10 per share. There are good signs for the auto sector to kick off the summer. However, AutoCanada shares last had an RSI of 73. This puts the TSX stock in technically overbought territory.

Can Cineplex stock rebound in 2020?

The future of the theatre industry has been a lingering question over the course of the COVID-19 pandemic. In the middle of April, I'd discussed whether **Cineplex** (TSX:CGX) and its peers would be able to survive a prolonged stoppage. Shares of this TSX stock have dropped 76% in 2020 so far.

Cineplex released its first-quarter 2020 results on June 29. Revenues fell 22.4% year over year to $282.8 million, and the company reported a net loss of $178.4 million. This should come as no surprise, as Cineplex was forced to cease operations in response to the pandemic. However, it has announced that it will start to reopen in July. Cineplex expects to resume operations this Friday, except in Ontario, Manitoba, and Prince Edward Island.

Of course, Cineplex will see the daily operations dramatically change to fit with new public health policy. This will include the elimination of ticket purchases at a staff counter. Online or automated kiosks will now be the only way to purchase tickets. Cineplex has also vowed to sue for damages after the U.K.-based firm Cineworld backed out of its merger. CEO Ellis Jacob has said that Cineplex has enough funds to meet current obligations, but pressure is mounting due to new changes.

This TSX stock last had an RSI of 22, which puts Cineplex in technically oversold territory. Investors may want to wait to see how consumers react to the reopening of cinemas. This was in industry that was already in crisis before the pandemic. For this reason, I'm still avoiding Cineplex stock right now.

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aocallaghan