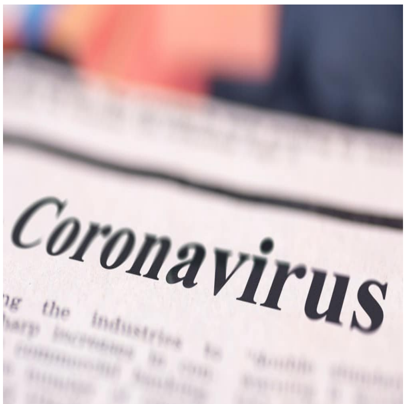

2 Top Oversold Stocks in the Coronavirus Market Crash

Description

Various scenarios are playing out since COVID-19 crushed the stock market in mid-March 2020. Even experts can't figure out why the market behaviour has been zany. There's no prior precedent regarding an invisible enemy that is causing the economy to deteriorate. It's also driving the unemployment rate to levels not witnessed before.

The freefall is a result of the market selloff such that there are now several undervalued stocks. **Bellus Health** (TSX:BLU) and **Chorus Aviation** (TSX:CHR.B) are among the **TSX**'s oversold stocks.

The respective stock prices have dropped significantly this year. However, should both stocks bounce back, a substantial windfall awaits prospective investors.

Not the end

The situation of Bellus is intriguing because healthcare stocks should be performing well in the health crisis. This $237.98 million clinical-stage biopharmaceutical company is having a bad year on the exchange. From $9.81 on December 31, 2019, the price has sunk to $3.95 on July 10, 2020 — a drop of nearly 60%.

Bellus was outperforming the general market until July 3, 2020, when the stock price peaked to $16.38. Unfortunately, the biotech's supposed "one-hit wonder" showed disappointing top-line results.

The Phase 2 RELIEF trial of BLU-5937 in patients with refractory chronic cough failed to achieve statistical significance for the primary endpoint of reduction in placebo-adjusted cough frequency at any dose tested. The profit growth of biotech stocks depends mainly on the success of clinical trials.

While the efficacy data of BLU-5937 was disappointing, it's not the end of the road. According to Bellus CEO Roberto Bellini, the biotech firm moves into an adaptive Phase 2b trial, which should begin in the fourth quarter of 2020. Analysts forecast the price to climb to $14 (+254.4%) in the next 12 months.

Looking ahead

The shares of Chorus Aviation began its descent in early February 2020 before tanking at the height of the coronavirus-induced market crash the following month. Year-to-date, the loss of this airline stock is 67.7% and is now trading at $2.55 per share. This $411.46 million company from Dartmouth, Canada, engages in the airline business in Canada and the U.S.

Chorus is in a tight spot because of its partnership with **Air Canada**. The latter is the country's flag carrier, but flight time is limited due to travel restrictions and weak air travel demand. The company's take-or-pay contract runs until 2035, and Air Canada will pay whether or not they use it.

The company operates Jazz airline, which is suffering a 90% drop in its Air Canada Express capacity. Also, 65% of the total workforce is on inactive status. Fortunately, Chorus' leasing business remains intact except in the U.K. The company provides aircraft leasing, which should be capital generating under normal conditions.

Chorus is looking to the post-pandemic as it becomes economical for carriers to lease rather than purchase aircraft. The leasing activities should ramp up as more countries lift travel bans. In the next 12 months, analysts predict the price to soar by 145% to $6.25.

Potential bounce back

Investors can monitor Bellus Health and Chorus Aviation. Their oversold conditions might take long, but the likely bounce could be exponential if a rally begins.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:BLU (Bellus Health)
3. TSX:CHR (Chorus Aviation Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Date
2025/07/01
Date Created
2020/07/14
Author
cliew