2 TSX Giants That Could Change Course After Their Q2 Earnings

Description

Canadian broader markets could turn even more volatile, as some of the **TSX** giants report their Q2 earnings this week. Market pundits expect gloomy numbers from many of them, driven by subdued business activities during the lockdowns.

Interestingly, TSX stocks have rallied remarkably in the last couple of months, marking some of the best recoveries of all times. Let's discuss two Canadian bigwigs that could influence their stocks to change course after their second-quarter earnings.

Air Canada

The country's biggest airline, **Air Canada** (TSX:AC), will report its second-quarter earnings on July 31. This will be one of the major events across Canadian broader markets, as the embattled airline is expected to report one of the worst quarters in years.

Based on analysts' estimates, Air Canada's revenues are expected to come around $420 million — a fall of more than 90% year over year. The bottom line is also expected to take a major hit with over a billion-dollar loss for the quarter ended on June 30. Apart from earnings, its liquidity position and management commentary will be important to watch.

The airline was operating with just 10-15% of its capacity during the second quarter amid travel restrictions. Air Canada stock has already lost more than 60% of its value this year. Its Q2 performance might weigh on the stock and cause fresh downside in the near term.

This could be an opportunity for long-term investors as Air Canada might bottom out after its Q2 earnings. Notably, the second half of the year will continue to see some green shoots and a relatively higher air travel demand.

It will likely add more routes to its operations, and the government might ease some curbs on air travel in the near future, which suggests Q2 earnings will likely be the weakest of the year. A faster-than-expected vaccine launch will also change the sentiment drastically, which could also boost Air Canada stock.

Canadian Natural Resources

The energy titan **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) will report its Q2 earnings on August 6. Many energy titans that have reported so far have clocked a huge loss for the quarter. Canadian Natural will also likely follow suit.

Volatile oil and gas prices dominated energy producers to trim down their production during the second quarter. The pandemic further added to the woes and dented the global energy demand.

Analysts expect CNQ to report a 50% decline in revenues year over year and a loss of approximately $1 billion. Interestingly, during the last quarterly earnings release, Canadian Natural stood tall among peers on several fronts. It had one of the strongest liquidity positions, which also helped it keep shareholders' payouts untouched.

While many energy companies trimmed or suspended dividends, Canadian Natural notably increased its dividends. It yields 7% at the moment, notably higher than peers.

Some TSX energy stocks trended lower after their Q2 earnings last week. CNQ stock is trading in a narrow range for the last couple of months. Interestingly, its better-than-expected earnings and a rosy picture on the liquidity front might cheer investors. Also, the stock is trading at a discount, which indicates limited downside and more upside potential.

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