



## 2 TSX Stocks That Could Suffer a Vicious Pullback

### Description

The **S&P 500** continues its [climb](#) above pre-pandemic heights. While it may seem as though the worst of the COVID-19 pandemic is behind us, investors need to realize that only a few select stocks are doing the heavy lifting for the index.

Technology stocks have been flexing their muscles since markets fell off a cliff back in late February. The tech titans that view the pandemic as a tailwind, such as **Shopify**, have been [white hot](#), surging above and beyond the expectations of many, forcing analysts to play catch-up on the price target front.

Indeed, the momentum in these growth leaders has been nothing short of unprecedented. When you take the tech sector out of the equation, you'd discover that most other sectors are still in the doghouse, with energy and financials (which also happen to be heavy weightings in the **TSX Index**) at the bottom of the pack on a year-to-date basis.

With value continuing to trail growth, a trend I suspect will continue through this pandemic, the following non-tech stocks, I believe, could be at risk of drastic underperformance if a coronavirus vaccine breakthrough doesn't happen between now and year's end.

Without further ado, consider taking profits on the following two "value" stocks. While their traditional valuation metrics may suggest undervaluation, I don't think such low multiples compensate for the slate of COVID-19-related risks and believe that a pullback may be likely should investors wake up to the reality that the "new normal" may last for longer than initially expected.

Remember, just because a stock is "cheap" doesn't mean it's necessarily undervalued, and vice-versa. If you own the following names, now is as good a time as any to take at least a bit of profit while you still can.

## Magna International

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is an auto part maker that's staged an impressive comeback from the vicious February-March sell-off that saw Magna shares shed more than half of its

value over a matter of weeks. Despite the tremendous weakness in the auto sector that persists today, Magna stock is now just 15% away from hitting its 52-week highs.

While Magna has done an exceptional job of battening down the hatches amid the crisis, I ultimately believe that it will be exogenous factors that will dictate the trajectory of MG stock over the medium term and think Magna could be ripe for a mild pullback to the \$50 levels.

With a mere 1.6 times book value multiple, Magna seems like the ultimate value stock to play the next leg of the market-wide relief rally. Given the possibility that COVID-induced auto woes could weigh for the long haul, I'd much rather be a seller of shares than a buyer while a haze of uncertainty clouds the auto sector.

My takeaway? Steer clear of the highly cyclical auto play amid the coronavirus recession.

## IGM Financial

**IGM Financial** ([TSX:IGM](#)) is a non-bank wealth manager that got clobbered back in February and March. Shares of the name have recovered over half of the ground lost since the sell-off, but I think the name could be due for a reversal as the relief rally exhausts itself.

For the second quarter, IG clocked in some underwhelming growth numbers while MacKenzie continued to exhibit tremendous strength, as retail investors flocked into the stock market and the firm's slate of offerings. The momentum in MacKenzie was encouraging, but there's a chance that retail net inflows could begin to stagnate. Moreover, IGM looks to be facing an uphill battle in an arena that looks to be in the favour of bank wealth managers.

Sure, IGM has invested a considerable amount in fintech and platform modernization. But at the end of the day, I'd much rather invest in a bank or a pure-play fintech firm if you're looking for a wealth management play, as they look to be in a better position to take share in the wealth management scene.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:MG (Magna International Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Sharewise
6. Yahoo CA

### **Category**

1. Coronavirus
2. Investing
3. Stocks for Beginners

### **Date**

2025/07/06

### **Date Created**

2020/09/01

### **Author**

joefrenette

default watermark

default watermark