
3 Top Stocks to Buy Before They Gap Up

**Description**

It's been a rough year so far, and that's putting it mildly. With systemic risks threatening to extend a recession beyond the confines of the pandemic, recovery stocks aren't straightforward to navigate. However, whether you adhere to a contrarian investing strategy or you're simply bullish on a recovery, the following three stocks could have comeback potential. Let's examine the buy thesis for these three names.



## Looking for upside in recovery stocks?

**Air Canada** (TSX:AC) has rarely been out of the headlines since the beginning of the public health crisis. No sooner had its fleet been grounded due to the coronavirus outbreak, than contrarians began sniffing around its stock. Now, while that attention hasn't stopped Air Canada's share price being down by 57% in the last 12 months, it does go some way to supporting a long-term buy-and-hold thesis.

Why buy shares in Air Canada? The simple answer is that this is a wide-moat business in an industry that, in any normal year, would be indispensable to the public. The pandemic response — as distinct from the pandemic itself — is logically finite in duration. Economies are tentatively reopening, which strengthens the case for an improvement in aviation stocks. A full recovery should see share prices spring back.

**Canada Goose** (TSX:GOOS)(NYSE:GOOS) has been a cultural icon pretty much since day one. Its stock has had its ups and downs, but generally speaking, it's on an upward trend. Investors may remember that Canada Goose took a beating during the Sino-American trade war. The pandemic has also put its own spin on the downside for international retailers.

Now, the friction between the U.S. and China has abated somewhat. And that's allowed Canada Goose's growth trend to recover somewhat. But there is a risk here that a flare up in international tensions could mar a recovery in retail stocks. Think back to last year and the uncertainties in the markets. However, Canada Goose is a long-term growth stock worth holding for a comeback.

# Watch out for pre-pandemic market stressors

Moving on to insurance. There are a few plays that satisfy a comeback investing strategy. **Great-West Lifeco** has seen its fair share of pain this year. The insurance industry has suffered in the markets, as the pandemic rearranged the financials landscape. That makes now the right time to start building positions. A 6.6% dividend yield and solid fundamentals make Great-West Lifeco an ideal starting point.

These are the kinds of stocks that could surprise investors by jumping quickly. They're all names with comeback potential. While a V-shaped recovery is the model that a lot of bulls are going by, the timing is the one crucial unknown variable. Sure, a turnaround is all but inevitable, as countries around the world finally get a handle on the coronavirus. It's just the time scale that's elusive.

Still, by holding shares in companies that could recover on a sudden positive development, investors leave themselves open to surprise upside. The take-home message? Keep calm and carry on holding.

**CATEGORY**

1. Dividend Stocks
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