3 of the Worst-Performing TSX Stocks of Q3 2020: Could They Rebound in Q4?

Description

Canadian stocks continued to march higher and gained a decent 5% in the third quarter of 2020. Broader markets might continue to trade volatile considering the near-term uncertainties amid the pandemic. While markets at large look well placed, some TSX stocks notably fell in the third quarter. Let's see what these beaten-down names have for long-term investors.

Canopy Growth

The top pot stock **Canopy Growth** (TSX:WEED)(NYSE:CGC) was among the underperformers in the third quarter. It lost more than 15%. While the entire cannabis industry has been on a decline, Canopy Growth stock stood tall recently compared to peers.

Its second-quarter earnings exceeded expectations on both revenues as well as on the earnings front. Despite a decent top-line growth, Canopy Growth is not yet profitable, and its high cash burn rate might concern investors.

Importantly, this $6.8 billion marijuana stock has a dominating presence in medical and recreational space. Its cannabis-infused beverages are already gaining ground in Canada. Higher demand for Cannabis 2.0 products like vapes and edibles should further improve its top line in the medium to long term.

Canopy Growth stock looks extremely overvalued at the moment and might exhibit above-average volatility. Aggressive investors can consider it as a high-risk, high-reward play.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) stock was also among the laggards and lost almost 20% in the third quarter. Since March, the stock sported a comparatively faster recovery, gaining more than 150%.

Cenovus Energy suspended dividends in April, as cash retention became vital for the company. Though Canadian energy companies look financially sounder than their U.S. counterparts, a prolonged pandemic will likely make things worse.

Cenovus Energy stock has been on a decline for the last few years. It looks discounted from the valuation standpoint, but it could be a value trap. A higher correlation with crude oil prices makes it more vulnerable in the current scenario.

Suncor Energy

The integrated energy titan **Suncor Energy** (TSX:SU)(NYSE:SU) stock has lost almost 30% in the third quarter. Energy has been some of the weakest sectors among Canadian broader markets, and Suncor is among the bottom performers.

Poor quarterly numbers coupled with lower production guidance for 2020 weighed on the stock. Also, a gloomy outlook for energy demand amid the pandemic has also dominated the stock in the last few months.

However, there are some fundamental strengths associated with Suncor Energy. Its combination of both upstream and downstream operations offsets the underperformance of one segment to some extent. Thus, Suncor Energy might witness a relatively faster recovery post-pandemic. Also, its dividend yield of close to 5% is comforting to investors amid these uncertain times.

Suncor Energy stock is currently trading at $16.5, close to its 15-year lows of $14 in March 2020. The stock looks discounted after its steep fall and might have a limited downside. Its operational and financial strength, along with a solid dividend profile, make it stand tall in the Canadian energy space.

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2. NYSE:CVE (Cenovus Energy Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:WEED (Canopy Growth)

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