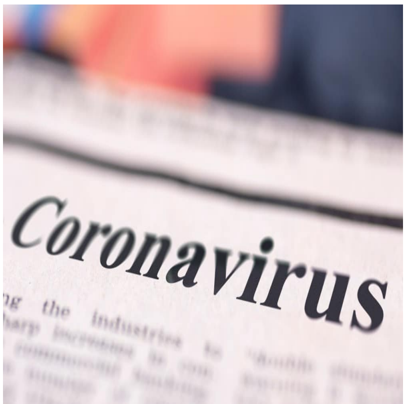

COVID: 2 TSX Stocks I'd Be Inclined to Sell Right Now

Description

With COVID-19 cases picking up in various parts of the world, now is as good a time as any to check in with your portfolio to ensure it's ready for another quarter with Mr. Market. The current crisis is unprecedented, and with the risk of a worsening second wave that could send us into a steep double-dip recession, it may be wise to take some money off the table of the firms that could be at high risk of pulling back viciously, as the insidious coronavirus takes another bite out of the global economy.

Magna International

Magna International (TSX:MG)(NYSE:MGA) is an auto-parts maker that took a big hit back in February and March as the auto sector took a clobbering. In the months since, Magna has been surging higher alongside the auto sector. Electric vehicle enthusiasm also likely gave lift to shares of the auto-parts maker.

The recovery of the industry could come to a crashing halt as the next wave could leave a long-lasting hit in demand for new vehicle sales. During this pandemic, many folks will feel safer driving in their own vehicles rather than commuting, and many will feel the need to buy a car. However, once the stimulus cheques stop flowing in and we start feeling the full impact of the recession (or depression), the autos could have much farther to fall.

Now, Magna stock is already under pressure, with shares currently trading at 1.4 times book value. But with an uncertain forward-looking trajectory, I wouldn't feel comfortable owning shares, especially given the recent reversal in momentum amid the relief rally. Yes, Magna looks undervalued, but it could be a value trap given the potential for substantial industry-driven earnings multiple expansion.

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) is another beaten-up stock that may still have room tofall. The insurers have been decimated amid the COVID-19 crisis. With interest rates slated to be nearzero for another three or so years, fixed-income "risk-free" securities are no longer rewarding.

Heck, given the small coupons, I'd say such risk-free securities are no longer investible. Given that insurers like Manulife need to be holders of risk-free assets to prepare for potential claims, the insurers are slated to see their returns be that much lower.

Moreover, insurance products, I believe, are "nice-to-haves," not must-haves, even though I'm sure the insurers would strongly disagree. As we're propelled deeper into the coronavirus recession, people around the world will have to tighten the belt, and the demand for life insurance policies will likely fall drastically.

Manulife has a great longer-term growth story, as it continues expanding into the compelling Asian market. However, I suspect MFC stock has more downside in the meantime, as the COVID-19 crisis continues to decimate the financials.

Manulife is a great company at a reasonable price. But the environment is just so unfathomably unfavourable that I find it difficult to justify buying shares on the latest dip. The stock trades at 0.75 times book value, which, while cheap, is not as great a margin of safety given the tough road that lies ahead.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:MGA (Magna International Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:MG (Magna International Inc.)

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