



2 TSX Stocks in Hot Industries You've Probably Yet to Invest In!

Description

Two specific industries have been [surging](#) amid this unprecedented crisis, propelling a class of lesser-known TSX stocks that, I believe, are likely to continue outperforming the broader indices for the duration of this pandemic.

Green stocks have seen more than their fair share of green arrows of late

The first red-hot industry is the renewable energy space that has been roaring in recent months, as a green-friendly Joe Biden U.S. presidential victory looks to be mostly baked in here due to his big lead in the polls. While green energy stocks are likely overdue for a big breather, there are certain gems in the space that I still think are a great value, including the likes of **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), a surging stock with a relatively modest valuation and a tonne of room to run.

Algonquin owns and operates power facilities within the wind, solar, and hydro (the works as far as the renewables are concerned) arenas, as well as stable utility businesses (water and gas) that provide the firm with a stable backdrop and less operating cash flow volatility versus most other pure-play renewable firms.

The diversified green power and utility company has been feeling a bit more COVID-19 pressure than its peers, and that's a major reason its stock has yet to break out to fresh all-time highs. In due time, I think Algonquin will catch up with its peers, as green stocks continue to gain ground at the expense of their heavily out-of-favour fossil fuel counterparts.

At the time of writing, AQN stock trades at just 2.4 times book value, which is a low price to pay for a firm that's capable of high double-digit growth, with uptrending ROE and ROICs. Even if [green stocks are due for a pullback](#), Algonquin is too cheap and is likely to face less downside versus its frothier peers. I'd buy the stock here for its 4% dividend yield and would be hungry to add to a position when given the shot.

Cloud stocks have soared into the stratosphere

The second class of stocks lies within the clouds. Many pandemic-resilient tech stocks that have leveraged the cloud have seen their stocks exhibit an absurd amount of momentum since the market's bottom in March. After taking a breather in September, I think investors would be wise to let such pandemic-resilient tech stocks cool off before they think about backing up the truck.

Shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have continued to defy the laws of gravity due to the profound tailwinds that suddenly hit its back this year. While there are few dents in the e-commerce superstar's armour, I think it's only prudent to sit on the sidelines now that the stock has seen its price to sales swell past the 60 mark.

Although Shopify's growth story and its magnificent management team led by the visionary founder Tobias Lütke is worth paying a hefty premium for, I think the red-hot name could be on the receiving end of a broader market pullback, with amplified damage relative to the broader indices. Should Shopify plunge, I'd look to buy the dip, as Shopify is one of the few Canadian growth names that is capable of growing while creating a moat around itself through the use of innovative technologies.

Shopify is too hot to handle. But if you're patient, you might get the entry point you'll looking for as volatility picks up going into and after what's sure to be a market-moving U.S. election.

Stay Foolish, my friends.

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:SHOP (Shopify Inc.)

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