Why Netflix Is Now a Key Stock to Watch for a Recovery Rally

Description

Feeling bullish on 2021? In the history of the markets, it’s unlikely that many events will match the coming post-pandemic relief rally. The bullishness that will likely mark the end to this grinding pandemic and its seemingly interminable restrictions will be historic.

But will a relief rally be a rising tide to lift all boats? Certain sectors that have seen pandemic-specific upside – such as tech stocks – may see a retreat. But other sectors will likely generate huge amounts of momentum.

Watch entertainment stocks for a recovery

Buy on weakness, trim on strength. This is one of the basic tenets of contrarian investing. It’s also a low-risk way to optimize a personal investment portfolio for a deteriorating market on the fly. Speaking of tenets, the positive performance of the latest raft of big movies to hit actual physical cinemas is telling.

Consider *Tenet*, a theatrical release that tested the waters while other big titles such as **Disney**‘s *Mulan*, were released digitally.

Borat Subsequent Moviefilm is the latest digital offering from **Amazon**, released to coincide with the Trump vs. Biden debate. This name has seen intense political interest and trended across social media. Coming as it does amid an already explosive U.S. election, *Borat 2* could be the big movie of the year.

Its audience figures will therefore provide some key data for investors keeping an eye on the turbulent movie exhibition space.

Indeed, two of the most-searched terms on the Internet in Canada this week were “Borat 2,” followedby “Rebecca.” The latter is a hotly anticipated **Netflix** (NASDAQ:NFLX) offering. In addition to sports,then, movie news is one of the most-searched topics in the country. This should make theentertainment industry one of the key areas to watch for a recovery rally.

Earlier in the month, when Netflix was still riding the “stay at home” thesis, it was a hot contrarian take to give the streamer a “sell” signal. But that’s the essence of contrarianism. Tech stocks and dogmatism have already proven to be a precarious mix this year.

A series of tech stock selloffs have seen momentum flip direction overnight. But while e-commerce bullishness might falter post-pandemic, movie studios could flourish.

Canadian stocks to watch

Corus Entertainment was up +5% midweek. The entertainment giant’s Nelvana Partners will team up with Duncan Studio for development of a range of original animated feature films. Animation is a great way for studios to get around social distancing strictures while still producing top quality content. Earlier in the month, Nelvana Studio got the green light from **Mattel** to produce a suite of *Thomas & Friends* output.

Rogers Communications has also got plenty of that “comeback charisma” – that star quality that could see investors flocking back. Indeed, a 2021 market rally could see plenty of upside generated by chewed-up names. This makes Rogers one to buy at beaten-up prices and hold for the long term.

Bottom line

Given that this is also a dividend-paying stock, Rogers is a solid buy for long-term investors seeking wide-moat income stocks.

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