WARNING: 2 TSX Stocks Will Ruin Your 2020 Holiday

Description

Thanksgiving is in the rear-view mirror, and Canadians are sporting more layers outdoors. That means the holiday season is creeping up ahead. Historically, this is the time of year when retailers clean up. Unfortunately, a wave of new restrictions to combat the COVID-19 pandemic across the developed world is bound to throw the holiday shopping season into flux. Today, I want to look at two TSX stocks that are usually an attractive target at this time of year. Investors should avoid these dangerous stocks in the final two months of 2020.

This TSX stock is in trouble due to the rise of e-commerce

The last decade had already sparked dramatic changes in the retail space. Global consumers have transitioned to e-commerce shopping, putting a strain on companies that rely on a large brick-and-mortar footprint. **Indigo Books & Music** (TSX:IDG) is one TSX stock that is in danger in this environment. Its shares have dropped 53% in 2020 as of close on October 22.

Big-box stores like Indigo successfully pushed out smaller book and gift stores in the late 20th and early 21st century. Now, the rise of the e-commerce giant **Amazon** and others has put them on the wrong side of change. In the first quarter of fiscal 2021, Indigo reported revenue of $135.1 million — down from $192.6 million in the previous year. It also engaged with its landlords for rent relief, as the company was forced to shutter its doors for much of the spring season.

Indigo is working to bolster its e-commerce offering while aggressively transforming its brick-and-mortar locations. This is a volatile and risky TSX stock that is unlikely to receive its usual boost from the upcoming holiday season.

The technological revolution is also killing this industry

Retailers are not the only ones who have suffered from technological progress over the past decade. The rise of streaming services and home entertainment have put traditional cinemas in a bind. In 2020, the COVID-19 pandemic has led to the darkest period for the cinema in decades. Shares of **Cineplex**, Canada's top movie theatre operator, have dropped 83% so far this year.

This TSX stock took a major hit after the United Kingdom theatre giant Cineworld announced it would shutter its doors. Even worse, it warned British leadership that the current environment could make its business untenable. Cineplex is bleeding cash and suffering from a bare movie slate. Canadians should avoid this TSX stock in 2020.

This TSX stock will help you sleep at night

Let's try to end on a high note with the holidays looming for Canadians. While the two TSX stocks above are not appealing for investors, **Leon's Furniture** (TSX:LNF) is an equity I'm bullish on in late October. Its shares have climbed 13% in 2020 as of close on October 22. The company released its second-quarter 2020 results on August 12.

Leon's stores reopened in early June 2020, which fueled merchandise sales to grow 1.2% year over year. Net income increased 88.8% from the prior year to $47.2 million in the face of the COVID-19 pandemic. Diluted earnings per share rose 93.3% to $0.58. Shares of this TSX stock possesses an attractive price-to-earnings ratio of 11 and a price-to-book value of 1.5. Better yet, the company approved a quarterly dividend increase to $0.14 per share. That represents a 3% yield. Leon's is a TSX stock that can inspire holiday cheer for the rest of 2020 and beyond.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:IDG (Indigo Books & Music)
2. TSX:LNF (Leon's Furniture Limited)

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Author
aocallaghan