TSX Stocks: 2 Recovery Plays I'm Betting Big on

Description

Despite the steady economic recovery and market surge, many **TSX** stocks are still trading way below their pre-pandemic levels. High-quality businesses with leading market share and strong economic moats will unarguably be in much better shape in the post-pandemic world.

When we talk about this COVID-19 maybe five years from now, stocks will be at new peaks, and the pandemic will just be like a nightmare. Here are my picks for that day.

Air Canada

Air Canada (TSX:AC) is among the very few airlines that are well placed for a prolonged pandemic. Despite its sizable cash burn, Air Canada's strong liquidity will likely keep it running for months.

Also, Air Canada's dominating market share makes it stand tall compared to peers. Once the Canadian authorities start to ease travel restrictions, the flag carrier will certainly see a slower-but-stable recovery.

Its recent bargain offer to **Transat A.T.** highlights that survival is not a concern for Air Canada. It is rather looking for an expansion in the post-pandemic environment. With Transat, Air Canada will grow its vacation travel portfolio and will get Transat's decent-sized fleet.

The government of Canada is allegedly preparing a bailout package for the airline industry. There had been an extensive demand for a sector-specific stimulus deal, especially for the embattled aviation space. The package would be highly treasured for companies like Air Canada and even some smaller, more vulnerable players.

Air Canada will release its third-quarter earnings early next month, which will be an important driver for its stock in the short term. AC stock has held $15-16 levels in the last six months and will continue to act as crucial support.

So, if you are investing for the longer time horizon and are thinking of the post-pandemic normal, Air Canada should be on the top of your list.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) stock has suffered a lot this year due to its decreased production guidance, lower dividends, and a slower recovery of the energy markets at large. However, if you think energy markets will be in better shape a couple of years from now, Suncor Energy is the stock to own.

The legendary investor Warren Buffett is betting big on this Canadian integrated energy giant for a long time. Its large downstream operations should drive relatively faster recovery once the crude oil demand stabilizes.

According to various industry estimates, crude oil is expected to reach around $50-$55 per barrel next year, which is much higher than Suncor Energy's new breakeven point of $35 per barrel.

Its juicy dividend yield of more than 5% makes it even more attractive for income-seeking investors. Suncor Energy stock has fallen more than 65% during the pandemic and currently looks attractive from the valuation standpoint.

Suncor will report its third-quarter earnings on October 29. The upcoming quarterly earnings will also be on similar lines, and a sharp earnings drop should be on the cards. The pandemic-driven challenges should drive Suncor Energy stock in the short term.

However, an attractive valuation, a juicy dividend yield, and operational efficiency should fuel Suncor Energy's slower but steadier recovery in the post-pandemic environment.

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