Stocks at a Discount Over 60%: Should You Start Accumulating?

Description

A few TSX-listed stocks battered by the COVID-19 pandemic failed to participate in the massive recovery rally and are available at a discount over 60% from their pre-pandemic levels. Further, the virus's continued spread and an uncertain demand trajectory are limiting the upside in these stocks.

While the significant decline in value in these stocks must have caught your attention, investors with short-term outlook are better off buying these beaten-down names, as they could be in for a rude shock. However, those with medium- to long-term investment outlook could start accumulating at the current levels.

So, if you are looking to play the recovery theme, consider buying the shares of these two beaten-down stocks available at a discount of over 60%.

The beleaguered airline company

With a year-to-date decline of about 69%, **Air Canada** (TSX:AC) stock appears to be the top pick to play the recovery theme. While the mandatory travel restrictions decimated demand and clipped its wings, domestic operations reopening has brought some hope.

While the closure of the international borders could continue to take a toll on Air Canada's financials in the near term, the airline company's net cash burn rate could show improvement on a sequential basis. The company said that it expects net cash burn to be in the range of $1.35 billion and $1.6 billion for Q3, which is better than $1.72 billion in Q2.

Moreover, a sequential improvement in passenger volumes, increased cargo capacity, and stringent cost-reduction measures should further bring some respite.

Investors should note that the challenges faced by Air Canada are temporary and are likely to abate with a medical breakthrough in the treatment of the COVID-19 pandemic. However, the uncertainty over the pace of recovery suggests that investors with a medium- to long-term outlook should take positions in Air Canada stock.

The beaten-down energy giant

Like Air Canada, shares of **Suncor Energy** (TSX:SU)(NYSE:SU) also took a massive hit with the economy's closure amid the pandemic. Meanwhile, an uncertain demand outlook and the resurgent virus continue to drag oil prices down and, in turn, hurt Suncor Energy stock.

However, with an over 63% year-to-date decline in its stock, I find Suncor Energy attractive at the current levels. Further, the long-term positive demand outlook for energy supports Suncor stock. Moreover, with the arrival of a vaccine in the market, oil prices are expected to rise, thus driving a steep recovery in energy companies' shares.

Suncor Energy's integrated business model, long-life assets, focus on optimizing per-barrel margins, and cost-reduction measures are likely to keep it afloat amid challenges. Moreover, better coordination among OPEC+ nations and increasing demand in India and China bode well for its recovery.

Final thoughts

The gradual increase in economic activities and easing lockdown measures have started to support the stocks and sectors hit hard by the virus. However, investors could expect the acceleration in demand only when the vaccine comes to the market, which could lead to a recovery in these stocks.

Till then, investors could start accumulating the shares of Suncor Energy and Air Canada in small quantities and buy on each dip to maximize their gains in the long term.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Energy Stocks
3. Investing

Date
2025/08/27
Date Created
2020/10/30
Author
snahata