Where to Invest $1,000 Right Now: 2 Stocks Trading at a Discount of Up to 70%

Description

In 2020, the stock markets staged an unprecedented recovery and wiped out most of the losses in the last six months. While the rally was primarily fuelled by stocks in the tech sector, several others did not participate in this rally and continue to trade at a depressed valuation.

The second wave of the dreaded coronavirus, sluggish economic conditions, and lower consumer spending has meant stocks in the energy and airline sector are trading at a cheap valuation.

However, it might be a good time to allocate a small portion of your savings into these beaten-down stocks, especially for investors with a high-risk appetite. So, if you have $1,000 in your Tax-Free Savings Account (TFSA), you can look to buy these two shares trading at a discount to generate market-beating returns on a rebound.

Air Canada stock is trading at a 32% discount

One of the hardest-hit industries in 2020 is the passenger airline. This capital-intensive sector was flying high at the end of 2019 as global economies were booming and companies were generating record profits.

However, as the pandemic struck, borders were shut and global travel came to a screeching halt. This meant shares of **Air Canada** (TSX:AC) and peers experienced a massive sell-off in the first half of 2020. In fact, Air Canada stock fell from a record high of $52.71 at the start of 2020 to a multi-year low of $9.26. It's now trading at $15.82.

The company ended Q2 with $9.1 billion in liquidity, including a cash balance of $5.1 billion, which should help it tide over these uncertain times. The upcoming earnings of Air Canada will throw more light on the company's financials as well as its cash burn rate.

In Q2, the company's operating expenses stood at $2.1 billion compared to sales of just $527 million. Air Canada's focus on cutting costs should enable it to reduce losses going forward. There is a good chance Air Canada will report losses over the next few quarters, at least, until a vaccine is developed or the virus is brought under control.

Analysts tracking Air Canada have a 12-month price target of $20.86, which is 32% higher than its current trading price.

Suncor stock should outpace the TSX in the next year

Stocks in the energy sector have underperformed the broader market by a huge margin. Shares of diversified oil company **Suncor Energy** (TSX:SU)(NYSE:SU) are trading at $15.3 which is 66% below its 52-week high.

Investors should note that Warren Buffett increased his stake in Suncor by five million shares in the second quarter of 2020. If the Oracle of Omaha is bullish on Suncor, it makes sense to take a closer look at the stock. Further, Saudi Arabia's wealth fund also bought a large stake in this beaten-down energy heavyweight in early 2020.

Suncor produces and markets crude oil, which means it has an integrated supply chain. The company also manages four wind farms in Canada and is eyeing expansion in the renewable energy space as well.

Suncor stock offers investors a dividend yield of 5.5% despite a 55% dividend cut in April. Analysts tracking Suncor have a 12-month average target price of $26.28, which is 72% higher compared to its current trading price. After accounting for its dividend yield, total returns will be closer to 77%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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