Top 3 TSX Stocks to Avoid in November

Description

Airlines and oil companies have been two of the hardest-hit industries on the **Toronto Stock Exchange** this year. Decreased travel has not only put hospitality industries in a tough place, but oil companies are also struggling to keep their heads above water.

default watermark

Famously, Warren Buffett sold all of **Berkshire Hathaway's** airline investments.

Here are three stocks that you might want to avoid this year.

Air Canada: #1 stock to avoid in 2020

Air Canada (TSX:AC) fell to $9.26 during the March market sell-off from a 52-week high of $52.71. Investors traded the stock for $19.11 per share on Friday.

Air Canada suffered major setbacks this year due to the COVID-19 pandemic. Investors reacted strongly to the airline's third-quarter 2020 financial results on November 9. Notably, Air Canada reported an 88% decline in total passengers carried.

In response, the firm has canceled all Boeing 737-8 and Airbus A220 deliveries and reduced capital expenditures by $3 billion until 2023. Moreover, the airline is looking into various technologies to prevent the spread of airborne illnesses on its flights. Despite these efforts, Air Canada issued a statement to shareholders alluding to a prolonged period of reduced air travel:

> "At the end of June, we made the difficult decision to indefinitely suspend 30 domestic routes … to preserve liquidity, cut costs and reduce capital expenditures as we prepare for a smaller footprint expected to last **several years**."

We don't know when air travel will pick up around the world. Based on expectations from Air Canada, shareholders might not see value return to airline stocks for at least another three years.

If you own airline stocks like Air Canada, taking a long-term mindset on your investment will help relieve this short-term pain. But if you are thinking about purchasing an airline stock, it might be best to wait until travel demand picks up.

Cenovus Energy: Reports negative operating earnings

Cenovus Energy (TSX:CVE)(NYSE:CVE) fell to $2.06 during the March market sell-off from a 52-week high of $13.66. As of Friday, investors are trading the stock for $5.49 per share.

Cenovus Energy is still trading below its pre-pandemic high. With airlines projecting depressed demand for the next few years, the future of oil companies like Cenovus Energy remains uncertain. Less travel translates into reduced demand for oil.

The effects of the COVID-19 pandemic are certainly rippling through the economy, hurting many major corporations. Cenovus Energy is no exception.

Cenovus announced the third-quarter-of-2020 earnings on October 29. Operating earnings were down to a *negative* $452 million from a *positive* $284 million for the same quarter of 2019.

default watermark

Alex Pourbaix, CEO of Cenovus, tried to sound optimistic in his statement to shareholders regarding the firm's performance during the third quarter:

> "The third quarter clearly demonstrated the strength and reliability of our operations and our ability to effectively manage production and sales by storing barrels when prices declined and then capitalizing on a price recovery to optimize returns."

Unfortunately, while the company is taking steps to mitigate harm to the company during this period of stress, it may not be enough. If you are thinking about investing in Cenovus Energy, you may want to hold off for a bit.

Baytex Energy: Hanging in there (barely)

Baytex Energy (TSX:BTE)(NYSE:BTE) fell to $0.27 during the March market sell-off from a 52-week high of $2.10. At the time of writing, investors are trading the stock for $0.51 per share.

Like Cenovus, Baytex Energy has struggled this year due to reduced demand for oil. Until consumers begin traveling again, North American oil firms will struggle against low gas prices and high production costs.

Baytex Energy released its third-quarter-of-2020 financial results on November 2. Luckily, Baytex Energy seemed to be more successful at reducing capital expenditures to maintain liquidity.

Notably, the firm reduced its net debt by $89 million. Furthermore, Baytex increased petroleum and natural gas sales to $252.5 million from $152.7 million for the same quarter in 2019. As a result, the net income *loss* was only $0.04 per share versus $0.25 per share in Q3 2019.

Despite all this, like with Cenovus and Air Canada, now may not be the time to make any new investments in Baytex Energy. It is better to wait than end up losing hard-earned savings.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:AC (Air Canada)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:CVE (Cenovus Energy Inc.)

default watermark

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
4. Stocks for Beginners

Date
2025/08/26
Date Created
2020/11/13
Author
debraray

default watermark