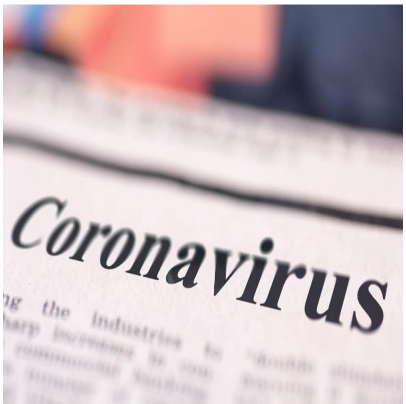

2 COVID Recovery Stocks I'm Tempted to Buy Right Here

Description

Even after Monday's promising vaccine news from **Pfizer**, the COVID-hit energy, financial, and real estate sectors remain a country mile away from their all-time highs. With Canada and the U.S. starting to lose control over the latest coronavirus wave, it seems as though hope and optimism over this pandemic's end have turned back into doom and gloom.

A new hope for COVID recovery stocks?

Should this market continue retreating after one of the sharpest two-week rallies since the second quarter climb out of the market's March trough, long-term investors may have a second chance to scoop up COVID recovery stocks as they look to ride the next leg of upside that's likely to be driven by the biggest losers of the first three quarters.

With renewed vaccine hopes, **JPMorgan** seems to think that the stock market is capable of a major 2021 rally past the 4,000 mark. With the stage set for an impressive rally, I think the slew of COVID recovery names are timely bets at this critical market crossroads.

Following Monday's terrific vaccine news, I think investors have the green light to buy **CAE** (TSX:CAE)(NYSE:CAE) and **MTY Food Group** (TSX:MTY) before they have the chance to leave the doghouse.

CAE

CAE is a simulator manufacturer that serves various industries, specifically the airlines, with their vital training services. The company also serves the healthcare and defence industries, but the greatest source of CAE's pain has been the tremendous COVID-induced weakness in the air travel space.

The company has a solid balance sheet to ride out another wave of weakness in its civil segment. With a more positive outlook for business aviation going into the new year, I think CAE is a must-buy while its shares are still miles away from their pre-pandemic levels. The firm's defence business has been relatively robust, and it's likely to keep the ship stable as the company looks for commercial aviation to make a big comeback in the post-pandemic world.

In the meantime, management is doing the best to their ability to ride out the storm. If you're looking for a lower-risk (and more-diversified) way to play the return of commercial aviation, CAE looks like a compelling option at just 2.8 times book value.

MTY

MTY Food Group is a wonderful business that just found itself in the wrong place at the wrong time. The company behind food court staples such as Thai Express, Koya Japan, TCBY, and Sushi Shop has felt the force of the COVID-19 impact like few other firms. Mall closures and the potential for another round of nationwide lockdowns could cause MTY stock's relief rally to reverse course in a big way.

Once it does, I'd be ready to load up on shares, as I think people will be right back to shopping at the mall and eating at their favourite food court restaurants once the risk of contracting COVID-19 is reduced to near zero. That said, investors shouldn't expect the 2019 peak to be in the cards in 2021 or even 2022. I think the recovery will be far more modest than a V-shaped recovery, as the newfound appetite for ordering stuff online is unlikely to wane anytime soon.

At 1.9 times book value, MTY is a cheap COVID recovery play for those willing to place a bet where nobody else would think to amid this worsening pandemic. MTY doesn't have the best balance sheet in the world, but with newfound vaccine hopes, I do think MTY will live to see better days.

CATEGORY

1. Coronavirus
2. Stocks for Beginners

TICKERS GLOBAL

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2. TSX:CAE (CAE Inc.)
3. TSX:MTY (MTY Food Group)

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