



Vaccine Rally: Do NOT Buy This TSX Stock

Description

This week we've seen a continuation of the vaccine rally from last week. Once again, before the market opened Monday, we got news of a highly effective COVID-19 vaccine for the second week in a row. And once again, unsurprisingly, markets took the news very well, resulting in a massive rally.

Many **TSX** sectors were positive, especially the businesses that have been most impacted by the pandemic. Stock markets are forward-looking, and highly effective vaccines are great news, so a rally of this magnitude is to be expected. With that said, these businesses still have to survive until we have vaccinated a sufficient amount of people.

So while I believe most stocks should be rallying, there are some that I would exercise extreme caution or outright avoid until there is more clarity.

Effective vaccines — and a tonne of risk in stock markets

As I said before, the vaccine announcements are great news, but businesses that are being most impacted by the pandemic are seeing some of the highest risk right now.

The long-expected second wave of coronavirus has come with colder weather, and it's coming at a faster pace than we have seen before. This will directly hurt those most highly impacted industries again at a time when the stocks are seeing a massive increase due to the vaccine rally.

Of course, many of these businesses will end up surviving, but there will still inevitably be more casualties. Plus, you could end up losing money if you invest in the recovery too soon.

There are two types of businesses you'll want to exercise extreme caution around. Some businesses, like restaurants or airlines, will inevitably see a recovery. It's too early to tell when or what kind of shape the companies will be in at the end of the pandemic, but there will remain airlines and restaurant companies.

While not in an enviable position, these businesses are just counting down the days until the end of the

pandemic when their operations will start to recover. So while you should be very careful investing in these stocks, you don't have to avoid them altogether.

The businesses I would be very careful about investing in during the vaccine rally are investment companies such as **Alaris Equity Partners Income Trust** ([TSX:AD.UN](#)), which could see huge counter-party risk and end up with major write-offs.

Avoid Alaris in the vaccine rally

Alaris is a small investment company with only 15 employees. Its investment strategy involves finding [high-quality businesses](#) and partnering with the owner/operators to provide capital and strategic aid to grow the operations.

In the past, the company has been one of the [top stocks](#) on the **TSX**. In addition to recording some impressive returns over the years, the stock also pays out a tonne of its income, making it one of the best TSX stocks for dividend investors.

Because of this impressive performance, it's no surprise the stock was a big winner last week. Stocks like these are exactly what savvy investors are waiting to buy in the vaccine rally.

The company currently has 17 ongoing investments, mostly in the business services and industrials sector. One of the main reasons it's been such a quality stock in the past is its high exposure to the United States. Currently, more than 80% of its fair value of investments are in the United States.

As most investors know, though, the United States is seeing one of the worst impacts of any country from the pandemic. So with the second wave of the virus continuing to pick up, much of Alaris' portfolio could be impacted before the pandemic finally ends.

The stock will be an ideal investment once we are clearly out of the pandemic and the economy is on the way to recovery. So it's crucial to keep up with Alaris' progress, but for now, it's definitely a stock that I'm avoiding in the vaccine rally.

CATEGORY

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1. TSX:AD.UN (Alaris Equity Partners Income Trust)

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