Market Crash 2021: 2 TSX Stocks to Sell Right Now

Description

Investors have had a wild ride in 2020, as the COVID-19 pandemic decimated equity markets all around the world. However, the snap-back rally witnessed in the last seven months has meant major indices, such as the S&P 500 and NASDAQ, are trading near record highs.

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Governments have pumped in billions of dollars to revive sluggish economies and boost consumer spending. More recently, news related to the development of an effective vaccine has continued to drive stocks higher this year.

In the last month, oversold value stocks that lost significant market cap in early 2020 made a strong comeback. However, there are multiple near-term risks for investors that might result in another broader market sell-off.

Investors need to brace for another market crash

While the vaccines have been developed, there may be challenges when it comes to global manufacturing and distribution. The unemployment rates in Canada and several other countries continue to remain high, which indicates mortgage defaults might rise if economic revival is delayed.

Further, the second wave of coronavirus infections has resulted in partial lockdowns in Europe and North America. Given the massive uncertainties, investors might look to offload a couple of stocks on the TSX and book profits, as there might be renewed sell interests if the above-mentioned risks play out.

Retail REITs such as RioCan are under the pump

One of the worst-hit sectors amid the pandemic have been retail REITs such as **RioCan** (TSX:REI.UN). REITs with high exposure to enclosed malls remain vulnerable, as people are unlikely to venture out in the near future, RioCan stock fell from $28 a share in February to $12.4 in March. It's currently trading at $17.54 and gained 22% in the last month, as the vaccine development news came out. RioCan generates 90% of its rent from retail clients, while 8% is associated with office clients and the rest from residential tenants.

While RioCan is looking to diversify and expand into non-traditional sectors such as medical centres and micro-fulfillment, this pivot will take a few years to materialize. We can see the company is still largely dependent on its retail portfolio to generate the majority of its cash flows.

RioCan provides a tasty forward yield of 8.2%, which means a $5,000 investment in the stock will generate over $400 in annual dividend payments. However, its payout ratio is over 90%, which means dividends might be at a risk if the retail sector remains under the pump.

Air Canada is a high-risk investment

Another industry that has been hit hard in 2020 is the airline sector. Companies such as **Air Canada** (TSX:AC) lost over 75% in market value in the first half of 2020 and have since regained lost ground.

Air Canada stock is currently trading at $24.7 and is up 65% in the last month. However, global travel is at a standstill and people are deferring travel plans indefinitely. The airline industry is a capital-intensive one, which means Air Canada is burning millions of dollars each day.

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Currently, Air Canada is well poised to ride the downturn given its robust liquidity position. However, in case air traffic remains subdued, it will have to raise additional capital, which will drive share prices lower.

In Q3, Air Canada sales were down 86% year over year, and its operating capacity stood at 20% in the quarter. It burnt $9 million each day and has cut off eight regional stations as well as suspended 30 domestic routes from its network.

Air Canada ended Q3 with net debt of $5 billion and is unlikely to return to profit before 2022.

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