Canadians: 2 Top 2021 Economic Recovery Stocks to Buy Right Now

Description

This piece will have a look at two compelling 2021 recovery stocks that I think have huge year-ahead upside and far less downside risk than most other COVID-19 recovery plays in the event of unforeseen negative surprises in 2021.

Consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) and **Cenovus Energy** (TSX:CVE)(NYSE:CVE), two firms whose stocks have been feeling the full force of the COVID-19 impact. Once COVID-19 dies down and the tides turn, both companies' shares look poised to roar higher in an effort to make up for lost time.

For both Canadian blue chips, 2020 was a write-off year. As the difficult year draws to a close, I think both dogs could be among the biggest winners in the new year. With their depressed valuations, both names, I believe, have a compelling margin of safety at this juncture, unlike more speculative plays like **Cineplex**, which could be skating on thin ice if the COVID-19 vaccine rollout ends up being bumpier than most expect.

Restaurant Brands

Many of the larger fast-food stocks have already rebounded. Some top performers are at fresh all-time highs, even with another wave of COVID-19 cases to get through. Restaurant Brands, the firm behind Tim Hortons, Popeyes Louisiana Kitchen, and Burger King, is still down considerably on the year on the same industry headwinds faced by firms that are at or around record highs.

At the time of writing, Restaurant Brands stock is off 25% from its 2019 high and 12% from its February 2020 high. Aside from the pandemic, the firm has had its fair share of company-specific issues. However, management has announced moves to turn things around, including its ambitious goal of modernizing the drive-thrus across its banners.

I think investors are heavily discounting the 2021 turnaround potential in the name and would encourage long-term, value-focused investors to back up the truck now before Restaurant Brands has a chance to catch up with its peers that are roaring, with expectations for a huge recovery in the new year.

Cenovus Energy

If you want to beat the markets at their own game, sometimes you’ve got to look where nobody else is looking. The COVID-19 crisis has decimated the fossil fuel plays. The damage, which was severely exacerbated by strength in green energy plays this year, is extensive, and it’s probably overblown beyond proportion, allowing contrarian investors a good shot at outsized gains over the year ahead.

Oil prices have already been headed higher (WTI just broke past US$47 today). And in a post-COVID-19 world coming up ahead, I wouldn’t at all be surprised to see prices normalize in the low to mid-$60s. Today, growth-seeking investors would rather pay up any price for a green energy stock rather than touch the oil plays with a barge pole, even with their severely depressed valuations. You see, many young people likely view the rise of renewables and the COVID-19 crisis as the final nail in the coffin for the old-school energy plays.

Even if oil continues on its secular downtrend, there’s no denying the deep value to be had in the names. And if the oil bears are wrong and the fossil fuel has one more boom up its sleeves, bruised Albertan oil kingpins like Cenovus could have multitudes of upside. With the stock trading at a 15% discount to book value, I’d say the risk/reward going into a recovery year is among the best on the TSX.

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3. TSX:CVE (Cenovus Energy Inc.)
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