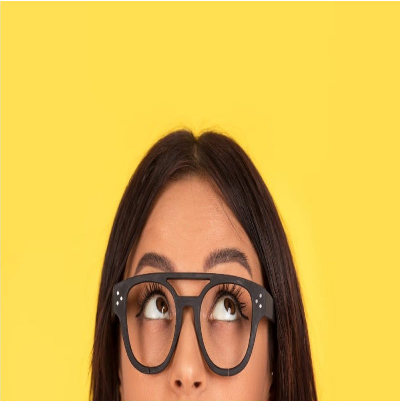

Mining or Tourism? 2 TSX Stocks to Consider Buying

Description

When you research stocks to buy on the **Toronto Stock Exchange** for the new year, it may be a good idea to avoid tourism. Instead of investing in the struggling travel industry, stocks involved in mining seem to be going strong. More specifically, firms offering services to the booming precious metals extractors might be a good bet.

It's a difficult market to invest in at the moment. Anything safe from the effects of the COVID-19 pandemic should definitely be on your watch list, including overpriced technology stocks.

Still, it's imperative to take caution when buying into the major winners this year. Fear can drive investors to push up the price on stocks perceived as safe. Likewise, stocks that may turnaround once the crisis is over could be underpriced.

Here is one TSX stock in the travel industry that you should definitely avoid and one drilling stock that you might want to consider buying.

Air Canada to acquire Transat A.T.

Transat A.T. (TSX:TRZ) fell to a 52-week low of $3.56 from a 52-week high of $16.35 after the March 2020 market sell-off. At the time of writing, the stock is trading for $6.22 per share.

Transat A.T. is a tourism company, specializing in vacation packages to 25 countries around the world. Given the decline in travel due to COVID-19, Transat, like other businesses in the industry, has been struggling.

Jean-Marc Eustache, president & CEO of Transat, believes that the acquisition of Transat by **Air Canada** will help the firm solve some of the firm's financial difficulties during the pandemic:

> "Our results reflect COVID-19's devastating impact across the travel industry. During the year, we took all the necessary actions to limit the damage and preserve our cash. The

> upcoming completion of the transaction with Air Canada should give us the solidity to face the crisis and capitalize on the recovery that should be sparked by the arrival of a vaccine."

In the proposed deal, Air Canada will exchange all outstanding shares of Transat for $5 per share in cash and/or shares of Air Canada. The $5-per-share purchase price is generous, representing a 31.6% premium based on Transat stock's 20-day volume-weighted average price (VWAP) as of October 8.

Nevertheless, the stock is trading at over $6 per share today. It's best to just stay away from this stock.

Major Drilling Group stock soars on commodity prices

Major Drilling Group International (TSX:MDI) rose from a 52-week low of $2.26 to a 52-week high of $8.38 after the March 2020 market sell-off. The stock is trading for $7.78 per share at the time of writing.

Major Drilling offers mining and minerals drilling services in Canada, the United States, Latin America, Asia, Africa, and Europe.

Major Drilling reported earnings on December 10 for Q2 of the fiscal year 2021. The firm increased its revenue by 28% from Q1 of 2021 to $114.2 million. Denis Larocque, president & CEO of Major Drilling, credits the success of the firm to the price of precious metals such as gold and copper:

> "Notably, junior mining companies increased their activity levels, particularly in Canada, which is behavior typically seen in an upcycle. We are encouraged that some of our senior gold customers have already forecasted higher budgets for 2021 . . . Copper prices have also increased by more than 50% over the last eight months, as infrastructure plans are commencing globally. Industry experts expect the global refined copper market to hit a deficit this year, which should lead to significant investments in copper exploration projects."

The rise in precious metal prices like gold has helped companies this year, as others in the travel industry struggle. Major Drilling is one of those beneficiaries. If you are looking for a decent stock to buy on the TSX, you might want to put Major Drilling on your watch list.

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