Disaster Averted? 2 Top TSX Stocks to Buy for Brexit

Description

Looking at Canada's most significant exports to Britain, it's fairly easy to come up with an at-a-glance "gold and autos" thesis. But the best trends are those that serve a double purpose. Buying gold and auto stocks for a potential investment rush into Britain is all well and good. But what if that British bulldog market doesn't quite materialize? What then? The fact is that no short-term event-driven momentum market is a sure thing.

So, to avoid capital risk, investors looking for a hot, new trend should consider hedging their bets. But now for the good news. Fate has ordained that the two hottest trends that fit the Brexit bull thesis are also trends to bet on in its absence. In fact, electric vehicles and gold are emerging as two of the strongest growth markets that could survive in a range of possible mid- and post-pandemic scenarios.

Betting on an auto stock boom

Up almost 10% over the holiday period, **Magna International** (TSX:MG)(NYSE:MGA) is gradually starting to come out of the woodwork as a stock to watch in the auto-tech space. This hybrid industry was, until recently, almost the sole preserve of **Tesla**. But with a slew of other manufacturers getting in on the game, names like Magna are starting to shine. Analysts are bullish, with consensus price targets seeing up to 25% upside.

A dividend yield of 2.3% is on offer, already putting this stock neck and shoulders above Tesla for the casual investor. In fact, Tesla is looking increasingly like a stock to trim. Not only because it's potentially reached its peak, but because other names are muscling in on the electric vehicle space. Magna is already strongly positioned in that space, plus it pays a dividend and could have further to climb.

Going for gold stocks in 2021

Franco-Nevada (TSX:FNV)(NYSE:FNV), with its focus on precious metals royalties, is a low-risk play in the gold space. With less of the risk and still some of the upside, Franco-Nevada packs a punch with its capital gains potential. A top-tier precious metals streamer might be the way to go if investors are nervous about a pullback in gold prices. And Franco-Nevada is as top tier as they get.

A 0.8% yield also qualifies Franco-Nevada for a gold dividend-investing thesis. Other names have richer yields in this space, of course. But the main draw of this stock is that it offers a reduced risk play. Yes, it's a pure-play on precious metals markets. But its sources are spread out in such a way that Franco-Nevada offers some intra-commodity diversification.

A P/B ratio of 4.7 times book denotes the kind of iffy value for money that 2020 has bred in a lot of gold stocks. However, even though it's up 25% in 12 months, Franco-Nevada's valuation isn't solely the result of pandemic momentum. Compare, for instance, **Newmont**'s 40% year-on-year climb with its P/B of twice book. Either stock would be suitable for gold access of course. But the streamer could prove to be the lower-risk play right now.

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2. NYSE:MGA (Magna International Inc.)
3. TSX:FNV (Franco-Nevada)
4. TSX:MG (Magna International Inc.)

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