Buy These 2 TSX Stocks for up to 117% 12-Month Returns

Description

Looking for growth stocks immune to the uncertainty of the new year? Matching the industrial growth thesis of a recovering auto space with the all-weather play of gold looks like a fairly safe play. For Canadians eyeing Brexit with cautious optimism, for instance, these two asset types could also prove capable of weathering the storm. Let's explore the potential of twinning these asset types for a prosperous 2021.

The gold growth stock thesis

Pundits are already calling for an end to the gold bull run in 2021. It's fair to say that the kind of momentum generated by the roller coaster of 2020 is not sustainable. But gold is a perennial market outperformer and the go-to for risk-averse commodity investors. From tech to jewelry, medicine to aerospace, the industrial markets for gold are vast and varied. In short, even if gold prices may pull back, it remains a low-risk investing standard.

Newmont (TSX:NGT)(NYSE:NEM) is one of the largest producers of gold on the world stage. It's also still fairly attractive in terms of value. Yes, last year's bull run on gold has eaten into Newmont's market ratios. But that said, there are still some key facets here that suggest a well-valued play. Consider, for instance, the decent value for money evinced by a P/B ratio of just 2.3 times book when compared to the industry's 2.9.

Revving up for 12-month returns

AutoCanada (TSX:ACQ) could benefit this year from a return to a less-isolationist North American trade environment. Other ways in which Canada's auto industry could improve revolve around an optimistic, but plausible, reopening thesis. With travel likely to be top of mind for Canadians suddenly envisioning an end to the pandemic, car dealerships could enjoy a surge of sales. It's been a challenging time for auto sales, and a reversal could see big gains.

AutoCanada is extremely well placed for such a potential post-lockdown car sale boom. Having enjoyed 110% year-on-year growth, AutoCanada fell at the last hurdle, with a hard few weeks on the market. The auto dealer lost 21% in one month as 2020 bit the dust. But given the past year's trajectory for this big name auto retailer, 2021 could be its year. AutoCanada could realistically have as much as 50% upside ahead.

Pairing such a stock with a gold dividend payer removes some of the risk from a portfolio. Newmont's dividend yield of 2.5% is also attractive, and should appeal to passive-income investors. One of the richer payouts in the gold mining space, Newmont's distribution is also covered by a ratio of just 35%. In fact, Newmont's dividend is one of its strongest features, along with its balance sheet health in general.

Newmont's total shareholder returns by the end of the year could be around +50%. Year-on-year share price performance has also been strong, up 47.6%, so such returns look achievable. Meanwhile, AutoCanada's 12-month returns could hit 117%. In summary, this is looking like a solid pairing that could benefit from strong performances from the gold and auto industries.

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1. Dividend Stocks
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2. TSX:ACQ (AutoCanada Inc.)
3. TSX:NGT (Newmont Mining Corporation)

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