



2 Top TSX Stocks to Lead the 2021 Bull Run

Description

Many folks still seem skeptical over this current bull run. With the **Nasdaq 100** coming off a correction, the recent run hasn't felt great for many. Many beginner investors who chased growth and tech stocks are probably still licking their wounds, as the "sexiest" growth stocks of last year are now the least sexy plays out there. They turned on momentum chasers, and many beginner portfolios may still be in correction territory, or worse, a bear market like Cathie Wood's **ARK Innovation ETF**, currently down 30%.

Value shines, growth wanes

Indeed, the stock market has broadened with [unloved value stocks](#) finally picking up meaningful traction, while their growth counterparts have now faded into the background. As U.S. bond yields continue climbing toward 2% or even 3%, value is likely to continue trumping growth. And beginner investors outweighed in growth and tech should seek to bring their allocation back into balance, with growth and value to better weather any future rotations or reverse rotations.

Like it or not, the bond market is moving the stock market. With the [reopening trade](#) also heating up, cheap cyclical stocks seem like the sweet spot for those looking to beat the markets in 2021. In this piece, we'll have a look at three such plays that I believe will put the broader indices to shame this year.

Bull run TSX stock #1: NFI Group

NFI Group ([TSX:NFI](#)) is a beaten-down bus maker that couldn't catch a break over these past few years. The firm ran into some operational stumbles, and then the coronavirus crisis hit. Taking transit became a risky endeavour amid the worst of the pandemic, and many of NFI's clients fell under pressure, waning on demand for the firm's transit and motorcoach offerings.

As a result, NFI stock suffered an epic collapse, shedding nearly 80% of its value from its 2018 peak to its ominous 2020 trough. With the pandemic's end in sight, NFI will finally get the break it needs, and bus orders could really start to pick up traction again. NFI stock has been surging again, now up

around 90% over the past year. As we exit this horrific pandemic and into the “roaring 2020s,” I think a dirt-cheap cyclical play like NFI could be a source of massive gains.

The stock got clobbered, but it's staging a comeback. Shares trade at 2.4 times book value and 0.55 times sales, a low price to pay for a moaty, albeit cyclical firm.

Bull run TSX stock #2: Magna International

Sticking with the auto theme, **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is a play that I expect will continue to lead to the upside over the next two years. Before the COVID-19 crisis, Magna had been a major laggard, a discretionary at the end of the road and a name at risk of crumbling come the next recession. As it turned out, the Great Coronavirus Recession was less unkind to the discretionary, as consumers rushed to buy their own vehicles to avoid having to commute and run the risk of catching COVID-19.

At the same time, electric vehicle (EV) euphoria picked up. And to this day, investors are itching to place bets on EV stocks. As an auto-part maker, Magna isn't a pure-play EV stock, but it will play a major role in future EVs. With speculation surrounding Magna and its candidacy to build the much-anticipated Apple Car, I think investors would be wise to punch their ticket into the name before any such deal has a chance to be inked.

In any case, the autos are in for a cyclical upswing, led by the next generation of EVs, making Magna stock a must-buy in my books.

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TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:NFI (NFI Group)

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