



## Forget Dogecoin: The Lumber Frenzy Makes These 2 TSX Stocks Very Attractive

### Description

Irrational exuberance seems to be the theme of the markets this year. First, there was **GameStop** stock that soared almost 9,000% in just a few months early this year. A famous meme-based crypto Dogecoin is another example. It has gone to the moon recently and has returned a mind-boggling 12,000% this year!

### Dogecoin and TSX stocks

However, do you really think these returns will be sustainable in the long term? Can one build a [retirement reserve](#) with instruments like Dogecoin?

The recent price surge, which was fueled by popularity, does not make it a reliable wealth creator. It does not have a fundamental value and was never designed to be a payment system, unlike Bitcoin. Although millennials made a fortune with Dogecoin this year, things will likely not be the same next year and beyond. But if you are an aggressive trader or a pure speculator, Dogecoin is probably for you.

It is okay to set aside a small sum for speculations like Dogecoin. But if you want to build a reserve reliably and consistently, invest in quality stocks that create value in the longer term.

Lumber is another hot spot in the market this year. The price of lumber has almost quadrupled in the last few months, driven by the housing market boom and limited supply.

### Lumber frenzy and TSX stocks

Lumber TSX stocks also exhibited a robust run since last year amid the surge in lumber prices. One of the biggest softwood lumber producers, **West Fraser Timber** ([TSX:WFG](#)) stock, has surged almost 400% since last March. West Fraser is a \$12.6 billion diversified wood products company and operates 60 facilities in Canada, the U.S., the U.K., and Europe. It produces lumber, MDF, plywood, wood chips, etc.

Driven by overall strength, it reported 50% revenue growth in Q4 2020 against Q4 2019. Its net profits zoomed to \$366 million in Q4 against a loss of \$42 million during the same quarter in 2019. West Fraser will report its Q1 2021 earnings on May 7.

Another diversified wood products company, **Canfor** ([TSX:CFP](#)) stock, is up more than 350% since last year. It reported revenues of \$1.94 billion in Q1 2021 — a surge of 66% year over year. Canfor's profit zoomed to \$428 million in the same quarter against a loss of \$70 million in Q1 2019.

The recent rally is quite delightful for lumber investors after years of a downtrend. Interestingly, the trend will likely continue at least in the second quarter of 2021. Canfor management is positive about the industry and [expects](#) global market fundamentals to remain solid. The strength in new constructions and repairs and remodelling projects should drive the markets further higher.

Importantly, Canfor is trading at a price-to-earnings multiple of four, while West Fraser stock is trading at nine. These TSX stocks look very cheap from the valuation standpoint and suggest a significant growth potential. If the craze around lumber continues, which seems highly likely because of the housing market strength, these stocks could touch record levels in 2021.

## Bottom line

Certainly, lumber TSX stocks fall very short in terms of returns when compared to Dogecoin. However, the prior's returns are based on financial growth and overall strength in the markets. Although lower, they are more reliable, as they are not driven by social media fuss and mere popularity.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance
4. Tech Stocks

### TICKERS GLOBAL

1. TSX:CFP (Canfor Corporation)
2. TSX:WFG (West Fraser Timber Co. Ltd.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
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