The 3 Best Canadian Cyclical Stocks to Buy in May’s Market Pullback

Description

Canadian cyclical stocks may be key to beating the markets for the rest of 2021, as the country winds down from its horrific third wave of COVID-19 cases. With inflation woes weighing down the broader markets this May, I think investors have a great opportunity to get better prices in names that may have been caught in the undercurrent of today’s rough market waters.

The price of admission into many top cyclical stocks has gone up considerably this year. Still, there are some compelling names out there that could become a heck of a lot more expensive as they enter the early innings of what could be an epic economic expansion.

In no particular order, let’s have a closer look at three Canadian cyclical stocks that may be worth picking up on the recent pullback.

Magna International

Magna International (TSX:MG)(NYSE:MGA) is a Canadian auto parts maker that took off in a big way over the past year. Shares have more than doubled in a year on the back of the auto market’s recovery. With an electric vehicle (EV) boom likely in the cards for the Roaring ’20s, I’d look to the cyclical stock to continue blasting off to new highs.

The stock is fresh off of an 8% pullback. With a juicy 1.8% yield and a modest 0.8 times sales multiple, Magna looks to be at the intersection of momentum and value. Looking ahead, I suspect Magna will continue to soar to new heights, as it enjoys industry tailwinds to its back.

In addition, MG stock may be a compelling way to speculate on the **Apple** Car, which could announce a dance partner within the next year. Nobody knows if Magna will be involved with such a product. Regardless, I’m a huge fan of the risk/reward scenario at today’s levels.

CAE

CAE (TSX:CAE)(NYSE:CAE) is a flight simulator technology play that could take to the skies far faster than most airline stocks, some of which remain under considerable pressure with the insidious coronavirus still out there. With many pilots in need of re-training, CAE's civil aviation segment could be in a spot to make up for lost time going into year's end.

Shares of the name have been flying higher of late, but with the recent 7.5% pullback on the back of broader market fears, I'd look to get in, as the stock remains attractively valued given the improving backdrop.

The stock trades at a mere 3.4 times sales and 3.7 times book, making it one of the cheaper reopening plays out there. With a rock-solid balance sheet and a well-diversified business extending beyond civil aviation, CAE looks to be a far safer way to play a bounce back in air travel.

NFI Group

NFI Group (TSX:NFI) is a bus maker that I've previously referred to as a stealth EV play. The company makes energy-efficient buses and will be poised to profit profoundly from any increased infrastructure spending which aims to curb emissions. The stock collapsed over 77% just a few years ago, as orders dried up and the company grappled with operational challenges. The COVID-19 pandemic just added to the firm's growing list of problems.

With the tables now turning, the bus maker could be in a spot to finally sustain a rally towards its 2018 highs. It's been a rough road for investors, but I don't think it's far-fetched to think the name could more than double to $50 over the next few years. If NFI can capitalize on the opportunity at hand, I think the rewards could be great for the transit manufacturer.

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