2 TSX Stocks That Are Taking Off But Have Room to Run

Description

Chasing momentum stocks on the TSX is typically a bad idea. But whenever you have a name that's been dragging its feet with a valuation that's on the lower end, you might just have a timely name that could continue outperforming. Indeed, winners tend to keep on winning. And in this piece, we'll have a look at two breakout TSX stocks that are still worth picking up here. Both names, I believe, have yet to fully correct to the upside. As such, I'm not against scooping up shares of each name, as they really start to heat up after staying ice cold for many years.

Without further ado, consider shares of **Sleep Country Canada Holdings** (TSX:ZZZ) and **NFI Group** (TSX:NFI), which blasted off 15.5% and 9.2%, respectively, on Wednesday. Indeed, both relative laggards could evolve to become leaders going into the second half of 2021. I think each name could add to their gains in a sustained rally, potentially toward all-time highs. Which name is a better fit for your portfolio? Let's have a closer look at the names and why their shares are lighting up after years of staying back in the shadows.

Sleep Country Canada

Don't say you weren't warned. In a prior piece published in July, I'd urged investors to buy Sleep Country Canada stock ahead of earnings, as the bar was low, and there was the potential for a huge upward surprise for the big-ticket sleep retailer. After a double-digit surge on Wednesday after earnings, it definitely has been sweet dreams for the underrated firm that's starting to get the respect it deserves from Canadian investors.

"With second-quarter earnings on tap for August 3, I think the top Canadian stock could break its current funk," I wrote in a prior piece. "Although shares of Sleep Country have more than tripled from last March's lows, I still think there's plenty of value to be had in shares, as the great reopening takes it to the next level."

If you missed the pop, don't fret. The incredible quarterly beat, which saw revenue soar 67% year over year, may not be fully reflected in the share price. While it would be nice to be a buyer on a pullback, I'm certainly not against chasing the name ahead of a continued boom in discretionary goods.

Sleep Country stock has finally awakened. And it's about time. Now is probably not a great time to hit the snooze button!

NFI Group

NFI Group is another out-of-favour cyclical that I've been pounding the table on of late. The bus maker and "stealthy EV (electric vehicle) play" rallied on the back of solid second-quarter results. Revenues were up a whopping 75% year over year to US$583 million, and there appears to be a pathway back to levels not seen since NFI stock fell off a cliff a few years back on waning orders.

Even after NFI's latest jump, the TSX stock is a country mile away from its highs. And the stock still trades like a deep-value play at just over 0.7 times sales. For a company with the wind starting to go to its back, I think the valuation makes no sense and would encourage contrarians to give the name a second look if they're looking for a way to profit from the looming Roaring 20s.

It was a huge jump. But it could be the first of many, as the macro picture improves further in favour of the big-ticket cyclicals.

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