2 Canadian Stocks to Buy and 2 to Avoid This Week

Description

Motley Fool Canada is full of the best Canadian stocks to buy, but sometimes there can be a lack of knowledge about what to avoid. And honestly, both are equally important. So today I'm going to look at two stocks I would consider digging into this week, but also two I would consider avoiding for now.

Avoid Absolute Software

Absolute Software (TSX:ABT)(NASDAQ:ABST) dropped by 20% after reporting poor earnings this week. This caused analysts to drop their targets overnight. The company had positive news like listing on the **NASDAQ** and making strategic acquisitions. However, the numbers weren't there.

In particular, the company's full-year 2022 adjusted EBITDA didn't look great, with margins expected to shrink in the next year at least. Not many believe that there will be a resurgence of growth in the near term, even beyond 2023. The company continues to lose money as peers continue to climb, making Absolute a stock to avoid if you're looking for Canadian stocks to buy.

Avoid West Fraser Timber

Motley Fool investors may have grown interested in the timber industry this year, as DIY projects set the price of lumber soaring. However, this could shrink in the near future. Yes, the building is likely to increase as COVID-19 shrinks. But we are now entering the fourth wave, so it isn't over yet. Therefore, companies like **West Fraser Timber** (TSX:WFG) should be avoided for now.

The company continues to post great earnings results, it's true. But analysts fear the company may soon peak. There is still value in West Fraser shares, don't get me wrong. But short-term investors may feel the sting in the next year. So it may be time to avoid the stock until the pandemic comes to a close, and recurring results are seen. But just for now. Shares will certainly reach all-time highs again.

Consider RioCan

While some areas of the pandemic are still uncertain, real estate use is increasing. One to start considering among Canadian stocks to buy would be **RioCan REIT** (TSX:REI.UN). The economic reopening has been great for one of Canada's largest REITs. Leasing should increase in volatility, debts will be paid, and this all means great net income. RioCan in particular has shown it can decrease risk with mixed-use properties.

Shares of RioCan stock are up 51% in the last year, and analysts believe it has another 8% at least to go this year alone. Meanwhile, Motley Fool investors can pick up a solid dividend yield of 4.33% as of writing. And that may increase even further as the world reopens.

Consider Heroux-Devtek

While Absolute may not be a great choice, **Heroux-Devtek** (TSX:HRX) is well-positioned to be a strong aerospace choice. The company maintained a healthy balance sheet throughout the pandemic. It's supported by both the growing defense segment, but also a civil market that was affected by the pandemic. Both continue to improve, making Heroux one of the strong Canadian stocks to buy.

Heroux proved it can achieve results in a difficult market. While it might be a while before pre-pandemic levels of air travel, Heroux is a great long-term option. Especially with defense supporting 70% of revenue. Shares are up 66% in the last year, and analysts believe another 18% could be on the way.

CATEGORY

1. Coronavirus
2. Investing
3. Personal Finance

TICKERS GLOBAL

1. NASDAQ:ABST (Absolute Software)
2. TSX:ABST (Absolute Software)
3. TSX:HRX (Héroux-Devtek)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:WFG (West Fraser Timber Co. Ltd.)

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