2 Canadian Stocks to Buy and 2 to Avoid in September

Description

September is almost here, and analysts are worried. There are several industries that may indeed collapse as the economy reopens. While some Motley Fool investors may have seen substantial growth in the last year, there are other sectors where you may want to change up your investments. So let's look at two Canadian stocks to buy in the month of September, and also two I would avoid for the time being.

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No wealth in wood

The DIY craze is coming to an end. And with it, there is likely going to be a collapse of the lumber industry. Even with construction looming, there are some lumber companies that simply planned too far ahead. Already, the price of lumber has dropped 70% this year alone.

British Columbia has seen this collapse thanks to wildfires, curbing rail cargo movement in the process. Among these companies includes **West Fraser Timber** (TSX:WFG), and therefore it's one I would avoid for now. At least until the wildfires are over and the economic recovery looks underway. Shares of the company may be trading near all-time highs, but there are some that argue this price surge in lumber is due to crash very soon. Inflation was taken into account before it was on the books, and a correction is already underway. Shares have already dropped by 16% from all-time highs, and are likely to fall even further.

But construction is coming!

Yet even as lumber is dropping, construction on infrastructure is increasing. Companies like **Aecon Group** (TSX:ARE) are doing quite well as the economy opens. The company currently has seen its revenue rise quarter after quarter, with over $6.5 billion in backlogged projects coming online. And yet it continues to sign on to new, major deals.

Yet it remains one of the top Canadian stocks to buy, with a P/E ratio of 13.72 despite all this great news. Shares are up almost 30% year to date, and you can grab a 3.37% dividend yield. So this is definitely one Motley Fool investors should keep on their radar for September.

E-commerce collapse?

Not so fast. Before you get on my case about e-commerce, I do believe there will be a continued pullback in *some* areas of e-commerce — 0r at least a levelling out. **Shopify** (TSX:SHOP)(NYSE:SHOP) would be one stock I would avoid for now. Among Canadian stocks to buy, investors still want to try and gain riches from this company. But it's now overvalued and doesn't look like it will double again any time soon.

So while e-commerce will continue to grow, I simply don't think Shopify stock will be the major player it once was, share-wise at least. It's still a strong company that you may want to pick up in a major pullback. But in September, with the economy reopening, investors may put their money elsewhere.

Not all e-commerce companies

That said, there are e-commerce adjacent companies I would buy in a heartbeat. In fact, I would include **Cargojet** (TSX:CJT), which you'll see I already own. This is one of the top Canadian stocks to buy as Motley Fool investors look for deals in this booming industry. Some believe it will receive less use down the line if e-commerce sinks. But even with in-store retail coming back, e-commerce will continue to grow in the next decade and beyond. And that's something Cargojet stock was already set up for even before the pandemic.

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As it continues to add aircraft and further destinations, this company becomes more and more valuable. In fact, the average potential upside from analysts is another 26%. And that's as shares are down about 8% year to date. So now is the best time to pick up this company before other investors realize what a steal this stock is.

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1. Coronavirus
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2. TSX:ARE (Aecon Group Inc.)
3. TSX:CJT (Cargojet Inc.)
4. TSX:SHOP (Shopify Inc.)
5. TSX:WFG (West Fraser Timber Co. Ltd.)

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