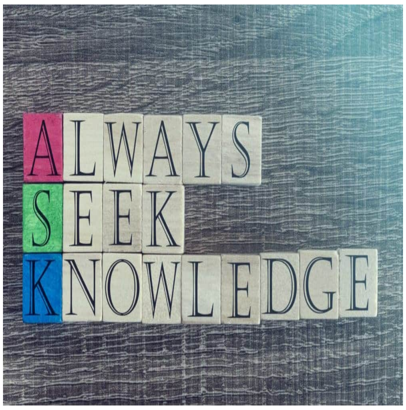

3 Top TSX Stocks Trapped in a Tight Bear Hug

Description

TSX stocks at large are up almost 55% since March last year. However, despite the rally, few investor-favourite names have been trading weak for a long time. So, does it make sense to bet on these beaten-down names? Are they really worth the risk? Let's see.

Air Canada

The flag carrier stock **Air Canada** (TSX:AC) has been on a notable downtrend and has lost almost 25% since June. Reopening delays caused by the Delta variant have weighed on AC stock in the last few months. In addition, differing vaccination percentages and related documentation across countries are further delaying normal travel.

However, the downside in Air Canada stock from current levels looks limited given its convincing financial recovery in the last few quarters. Besides, the issues mentioned above will likely get resolved in the next few months. According to the International Aviation and Travel Association (IATA), global air passenger traffic is expected to recover 88% next year compared to 2019.

In the latest reported quarter, Canada's biggest passenger carrier reported 59% revenue growth against Q2 2020. I expect a strong and speedy recovery in Air Canada in the post-pandemic world driven by its strong liquidity position, expected pent-up demand, and leading market share.

Aurora Cannabis

There has been no respite for **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) and its investors. The stock has lost almost 35% in the last three months and 10% in the last 12 months. While the cannabis industry at large has seen a decent sales growth during the pandemic, Aurora Cannabis continued to struggle.

The sales contribution from the otherwise-promising recreational segment declined in the latest reported quarter. Its cost-cutting strategies have been little help and have been denting the bottom line.

Apart from unstable financial growth, the company has diluted equity to raise cash, which is a bigger concern for investors.

Despite the recent correction, ACB stock does not look attractive from a valuation standpoint. It is currently trading six times its revenues and is stretched. Moreover, Aurora Cannabis's weak financial growth and unimpressive growth prospects render it a highly risky bet in the high-potential industry.

Barrick Gold

Top gold miner stock **Barrick Gold** (TSX:ABX)(NYSE:GOLD) has been trading weak for the last several months. It has lost more than 20% since May 2021 and almost 40% in the last 12 months.

Subdued yellow metal prices and weaker-than-expected quarterly performance weighed on Barrick Gold stock. Importantly, I don't see any prominent trigger for the world's second-biggest gold miner stock in the short to medium term.

Although it expects higher production in the second half of 2021 compared to the first half, the annual production guidance for the full year remains lower than 2020. In addition, the bullion prices may also play a spoilsport for gold miners amid the strong economic growth prospects.

Thus, Barrick Gold could see muted free cash flow growth in 2021. While ABX stock is not that attractive from the valuation standpoint, some gold miner stocks are hugely discounted at the moment.

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2. Coronavirus
3. Investing
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3. TSX:ABX (Barrick Mining)
4. TSX:AC (Air Canada)
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