After the Recent Pullback: These 3 Canadian Stocks Look Attractive

Description

Amid the concerns over rising COVID-19 cases due to the new Omicron variant and the skepticism over the vaccines' efficacy on the new variant have made investors nervous, thus dragging the equity markets down worldwide. The **S&P/TSX Composite Index** has fallen by 4.4% in the last three trading days.

However, the following three Canadian stocks have underperformed the broader equity markets, losing over 6% of their stock values during the period. The pullback offers excellent buying opportunities, given their healthy growth prospects.

Air Canada

The travel and hospitality industry feels the heat of rising COVID-19 cases, as investors fear the reimplementation of travel restrictions. **Air Canada** (TSX:AC), Canada's largest airline carrier, has lost over 10% of its stock value in the last three trading days and is trading close to its lows for this year. The selloff has dragged its valuation to attractive territory, with its forward price-to-sales standing at 0.5.

Despite the near-term pressure, Air Canada would be an excellent buy right now due to its long-term growth prospects. With its liquidity standing at $14.4 billion, the company is well-funded to ride out the volatility. It's also strengthening its cargo segment by adding new aircraft and routes to meet the rising demand due to e-commerce growth. The passenger demand could also increase in the coming quarters amid the pent-up demand, increased vaccination, and improvement in the economic activities.

So, I believe investors with over three years of investment horizon can accumulate the stock to earn superior returns.

Suncor Energy

Oil prices have fallen by over 13% since Thursday. Investors fear that the rising COVID-19 cases could prompt governments to reintroduce restrictions, thus hurting economic activities and lowering oil demand. The decline in oil prices has weighed on **Suncor Energy's** (TSX:SU)(NYSE:SU) stock price, which has lost 8.5% of its stock value during this period. Amid the recent fall, its valuation looks attractive, with its forward price-to-sales and forward price-to-earnings standing at 0.9 and 7.1, respectively.

Supported by its long life, low decline assets, Suncor Energy can cover its expenses and pay dividends if West Texas Intermediate (WTI) oil trades at US$35 per barrel. With oil prices trading significantly higher than that, I believe the company will deliver strong performance in the coming quarters. Its rising production and cost-cutting initiatives could also boost its financials in the coming quarters. Meanwhile, the company recently doubled its dividends to $0.42 per share, with its forward yield currently standing at 5.40%. Despite its near-term volatility, I am bullish on Suncor Energy.

BlackBerry

Since Thursday, **BlackBerry** (TSX:BB)(NYSE:BB) has lost over 6% of its stock value amid the weakness in the broader equity markets. However, its long-term growth prospects look solid given its exposure to high-growth electric vehicle and cyber-security markets. Amid rising spending on cybersecurity due to the growth in remote working and learning culture, the company looks to strengthen its position by introducing innovative products while also enhancing or extending its current product offerings.

Additionally, in the automotive space, BlackBerry's innovative product launches, such as IVY and next-generation automotive cockpits offer high growth prospects. It has design wins with many top players in the EV markets. The company could also benefit from the growing software components in vehicles. So, I expect BlackBerry to outperform over the next three years.

CATEGORY

1. Energy Stocks
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1. NYSE:BB (BlackBerry)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AC (Air Canada)
4. TSX:BB (BlackBerry)
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