



The Top 3 Canadian Stocks on Wealthsimple Trade This Week

Description

There are over 2,000 stocks listed on the **Toronto Stock Exchange**(TSX) that are traded every day. However, a certain few tend to garner more interest from investors due to various catalysts that send them into a trading frenzy. A variety of events underlie these catalysts, including earnings reports (good or bad), industry changes, scandals, or sometimes even a controversial post on Reddit (Looking at you, r/Wallstreetbets!).

Trading in these high-activity stocks can be exciting, albeit risky. Of course, no matter what the current circumstances, our Foolish approach always has us looking for great long-term opportunities. With the advent of zero-commission trading from brokerages like [Wealthsimple Trade](#), the cost of taking advantage of the market's myopia has never been lower.

With that in mind, let's take a look at the top three TSX stocks getting the most action on the Wealthsimple Trade app this week.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) has been on a roller-coaster ride ever since the COVID-19 crash of February 2020. The stock fell more than 60%, plunging from \$42.63 to \$16.07 by March 2020. It then dropped again on negative news about oil prices, before surging 47% year to date, following the strength of the energy sector as a whole. Despite the volatility, Suncor has remained a popular stock for Canadian investors due to its high dividend yield, which is currently sitting at around 5.4%.

Continued fears of inflation have driven investors to oil and gas stocks. Commodities, including oil and gas, often keep pace with inflation, so investors often flock to these sectors when inflation fears rise. However, in my opinion, there are better plays in this sector than Suncor. Suncor's fundamentals are okay, but not stellar, with a mediocre return on assets (ROA) of 2.9%, return on equity (ROE) of 6.6%, return on investment (ROI) of -7%, and a debt-to-equity ratio of 0.52. Given the current economic climate, I would put my capital in more established players with stronger financials like **Enbridge** or **TC Energy**.

Bombardier

Bombardier ([TSX:BBD.B](#)) should be a sobering, cautionary tale of a fall from grace. At its height back in October 2000, it traded at nearly \$25.60 a share. Since then, it rode the express down escalator to obscurity to a low of \$0.28 back in November 2020. Despite this, Bombardier has staged a recover of sorts recently, shooting up 260% so far this year, to currently trade at \$1.34. Catalysts for this include:

- the company selling its train-making business in order to restructure and focus on making business jets;
- announcing a \$400 million investment in a new manufacturing plant; and
- posting better-than-expected revenue for the last seven quarters in a row.

Investors are likely flocking to Bombardier these days due to a combination of the cheap share price and recent strong performance. However, I'm cautious. A 260% year-to-date run-up in the share price is unlikely to be sustainable and, in my view, is not backed by fundamentals. Indeed, Bombardier has some dismal financial ratios, including a -2.06 book value, a -5.28% return on assets, a gross margin of just 4.95%, and a net profit margin of -7.56%. I think it would be difficult for Bombardier to fully shake off the mismanagement that has characterized it for the last two decades in the short term.

Nuvei

Nuvei ([TSX:NVEI](#))([NASDAQ:NVEI](#)) saw strong negative price action on December 8, with panic-selling caused by a bearish short-seller report from Spruce Point Capital. The stock dropped over 50% intra-day from \$122.73 to \$60.53 after the short seller claimed that there was 40%-to-60% downside risk, pointing to overvaluation on all financial metrics, weak disclosures, and poor quality of acquisitions. Some of the more notable allegations include patterns of business failures, a lack of organic growth, and a web of relationships with individuals connected to major Ponzi schemes and alleged fraudulent activities.

Interestingly, noted short seller Citron Research *bought* Nuvei after the big drop. As fellow Foolish writer Jitendra Parashar [noted earlier this week](#):

In a tweet, Citron said that "who cares if CEO did not graduate college or has a driving record," while countering Spruce Point's claims about Nuvei CEO Phil Fayer's educational credentials and career history. Citron added that it's buying NVEI stock, calling it "way oversold."

Indeed, if the short-seller claims prove true, there could be more downside movement along the way, and it appears many investors this week have been preparing for that possibility. I wouldn't be surprised to see more losses before the dust settles. While I have no insight into some of the "spicier" claims from Spruce Point, the valuation metrics on Nuvei's stock do concern me. It has a very high P/E ratio of 120.3, compared to 28.9 for the rest of the industry, and a EV/EBIDTA ratio of 19.2, which is more expensive than 85% of its industry peers.

This will be far from the last chapter here, and Nuvei's management hit back at the short seller, accusing Spruce Point Capital of being "intentionally misleading", while reaffirming their growth targets

for earnings and revenue.

The Foolish takeaway

Want to get in early the next time a stock goes on a tear? Finding the most traded stocks is easy with [Wealthsimple Trade](#). Simply log on to the app, click the search bar, then the “Top Lists” category, and scroll down to the “Top 100 on Trade” section. From there, you can easily see the average recent volume and review each stock in-depth on its dedicated page.

Following actively traded stocks can be an exciting way to participate in the market. However, ensure that you always practice good risk management: conduct thorough due diligence on the company, never invest what you can’t afford to lose, keep the long term in mind, and be ready to cut your losses if your thesis gets proved wrong. Doing so will help keep the large losses at bay and your gains in the green.

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