My TSX Portfolio: 3 Top Performing Stocks of 2021

Description

This year, the stock market witnessed some interesting trends. It surged during the crisis and fell at the time of recovery. Most analysts expected the stock market to crash in 2021 as the government phases out the fiscal stimulus package, creating a liquidity crunch. But that did not happen. There were outliers, shares that you least expected to perform surged significant double digits.

3 top-performing stocks of 2021

I monitor 45 TSX shares, and among them, the below three shares were the top performers of 2021:

- **Bombardier** (TSX:BBD.B) – 245%
- **Cenovus Energy** (TSX:CVE)(NYSE:CVE) – 91%
- **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) – 61.6%

But if you ask me whether the above stocks are a buy, I would say that past performance does not guarantee future returns. Let's see what drove the above stock prices. Have they achieved their highs, or there is more upside left?

Bombardier stock

This year was bombastic for Bombardier. It saved itself from near bankruptcy by selling its train-making business to Alstom. The $36 billion valuation company in 2000, reduced to $1.78 billion in 2020. This is because it was burdened by piling debt (over $10 billion) and multi-year losses after its 2013 product failure. Gradually, Bombardier sold one business after another to ease the debt, but to no avail. However, the sale of the train-making business gave Bombardier a two-year breathing space to focus on investing in business rather than repaying debt.

The company is now a pure-play business jet maker, its only profitable business. This revival in the balance sheet pushed the stock up 245% in 2021 after the stock dipped 75% in 2020. You can look at the 245% jump in the stock price as a recovery to the pre-pandemic level. At the current trading price of $1.6, I would stay cautious and avoid investing in the stock in a high inflation environment.

If you own the share, book some profit as 2022 is when the management has to prove that it has overcome the 2013 failure and is back to profit. Investors have already priced in their optimism. Failure to meet these expectations could send the stock crashing once again.

Cenovus Energy stock

Cenovus Energy is Canada's second-largest integrated oil company after **Suncor**. This was the year of oil giants as the oil price almost doubled due to undersupply. The timing was perfect for Cenovus as it completed the acquisition of Husky Energy in March and increased its production capacity. Rising oil prices brought in windfall gains, and Cenovus channelled this cash to repay the debt it took to acquire Husky.

Cenovus stock rode the oil price wave, surging 91% so far this year. This surge is in continuation to its 2020 recovery rally, when the stock surged almost 230% from its March dip. The stock is trading close to its 2017 high. The market has a mixed forecast for oil demand and oil prices. Next year could see a correction in oil prices as oil producers increase supply. It all depends on how oil demand plays out in the Omicron wave.

This gloomy outlook has pulled Cenovus stock down 8.5%. Despite the dip, I would avoid buying the stock at its current price as it has already rallied to its potential. I see little upside to this share. Suncor is a better bet because of its 5.56% dividend yield.

Shaw Communications

The only reason Shaw Communications stock surged was that it announced its acquisition by **Rogers Communications**. Rogers offered a 70% premium per share of Shaw. The biggest surge Shaw stock saw was 50%, and that too in four years (Dec 2010 -2014). The stock never reached its 2014 peak thereafter, as it struggled to compete with the top three telecom operators for market share.

Hence, a 70% premium was too attractive a price to let go of, and shareholders willingly accepted Rogers' proposal. The deal is undergoing regulatory approval. There is no significant upside for Shaw at the moment, but a downside. If regulators reject the deal, Shaw stock could come crashing down to its pre-acquisition price of around $22, down 40% from its current trading price. Hence, I would suggest staying away from this stock.

It's time to book profits from the above shares and invest in 2022 growth trends.

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TICKERS GLOBAL

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2. NYSE:SJR (Shaw Communications Inc.)

3. TSX:BBD.B (Bombardier)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SJR.B (Shaw Communications)

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