



Time to Rebalance Portfolio: 5 Stocks in Focus in 2022

Description

2021 was the year of vaccine, the hope of recovery, and phasing out of the stimulus package. But the recovery followed supply chain issues and inflation that put downward pressure on consumer spending. Heading into 2022, the stock market [predictions](#) have changed. In 2021, the stock market saw ample liquidity that led to meme stocks and tech bubbles. But 2022 could see liquidity drying in the absence of stimulus money, rising inflation, and an increase in the interest rate.

In light of the current macro developments, it is time to rebalance your portfolio and prepare for 2022 challenges and opportunities. Rebalancing doesn't mean selling well-performing stocks. It means selling loss-making stocks and investing that money in stocks with growth potential. Here are four shares that could be in focus in 2022:

- **Air Canada** ([TSX:AC](#))
- **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#))
- **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))
- **Magna International** ([TSX:MG](#))([NYSE:MGA](#))

Stocks that could see a longer-term correction

Air Canada and Shopify were the heroes of 2020-2021. Air Canada stock lost 75% of its value in the March 2020 dip and then rode the recovery rally, riding 140%. But the rally faded in November on Omicron concerns, and the stock has breached its recovery support of \$20, falling to \$19.89.

The airline managed to stop cash burns and turn net cash positive in the third quarter, just when the recovery started to pick up. But the return of travel restrictions and high oil prices are making it difficult for AC to hold the fort.

Although AC has over \$14.4 billion in liquidity, the delayed recovery will leave a scar on its balance sheet for a long time. The airline would have to use the bailout money to survive the Omicron wave. I was bullish on AC or the recovery rally. But now it's time to exit this volatile stock and buy a stock with a balance sheet that can survive the Omicron variant.

I have gone bearish on Shopify, as the stock has become range-bound. Investors inflated the share to unprecedented levels in 2020, as they had ample liquidity coming from the stimulus money. But in an environment of poor liquidity, a volatile and overvalued stock like Shopify might fail to attract risk-averse investors. The year 2022 could be a correction year for all tech stocks. While Shopify has growth potential, the stock has already priced in that potential. It is time to book some profit. If you bought the stock before the pandemic, hold onto it, as it is a good stock.

Stocks to buy in 2022

While airline and overvalued tech shares are something to be cautious of, energy and auto stocks could bring some respite in 2022. The supply chain restrictions have created downward pressure on automotive stocks, and now the Omicron variant is pulling energy stocks down. This is where the value lies. Suncor Energy and Magna stocks are [undervalued](#) compared to their peers, trading at 18.8 and 12.8 times their earnings per share.

Suncor

The Omicron wave has pulled Suncor stock down 12%, as travel restrictions are creating uncertainty around oil demand. The U.S. Energy Information Administration expects [the oil supply to increase](#) next year. But another lockdown could put oil in deep red again, as it did in March 2020 when oil price went negative and companies were paying to store oil. There is a risk of things going south, but Suncor has the potential to rise like a phoenix when the demand recovers. It did that thrice this year, rising from the February, April, and August dip. Buying the Suncor dip could fetch some cyclical returns plus a 5.6% dividend yield.

Magna

Magna stock has dipped 11.5% in the Omicron wave and 21.8% from its June high. The entire automotive industry is in red, as it faces a shortage of automotive chips. This supply chain issue is taking longer to resolve due to COVID waves. However, Magna is set to ride the electric vehicle (EV) wave thanks to its strong order book and a diverse customer base of 24 of the top 25 EV companies. It will take time for the share to pick up. But once it starts rallying, it could double in less than a year.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)

2. NYSE:SHOP (Shopify Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:AC (Air Canada)
5. TSX:MG (Magna International Inc.)
6. TSX:SHOP (Shopify Inc.)
7. TSX:SU (Suncor Energy Inc.)

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Date

2025/07/21

Date Created

2021/12/21

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