# 2 Investor-Favourite TSX Stocks to Avoid (and What I'm Buying Instead)

### Description

Although stocks have massively dropped this year, they do not seem ready to recover just yet. The gloomy global growth outlook and other macro challenges could pull them further down. Investors should be cautious while picking stocks, as valuation will likely play a bigger role in driving returns. So, here are two TSX stocks that could continue to trade weak and one that offers impressive growth prospects.



## Air Canada

**Air Canada** (TSX:AC) stock is trading close to its 52-week lows and has lost 27% so far in 2022. The stock could not maintain momentum, even amid encouraging top-line growth driven by re-openings. And that's because of Air Canada's back-to-back challenges.

After the pandemic, global economic growth is again on the brink of a downturn due to persistent inflation. Rising interest rates, coupled with inflation, will likely dent consumer spending, which will likely be a severe blow to Air Canada. Airline companies have a direct correlation with business cycles. So, a longer, severe recession will likely further delay Air Canada's recovery.

In the last 12 months, Air Canada reported a net loss of $2.5 billion on total revenues of $11.4 billion. Sustained profitability could still be a distant dream for it. However, it looks strong on the balance sheet with a decent liquidity position and manageable debt.

So, Canada's biggest passenger airline is a fundamentally sound name, at least in the current scenario. However, macro challenges could continue to weigh on it in the short to medium term.

## Aurora Cannabis

A stock that's corrected 90% can still fall 90%! That's the case with **Aurora Cannabis** (TSX:ACB). It has tumbled 79% this year and could continue to trade weak. Poor operational and financial performance has weighed on it for years. As a result, this once hot pot stock has lost steam and dug a deep hole in investors' pockets.

Its revenues have been falling consistently while its net loss has kept widening. In the last 12 months, it reported revenues of $221 million and a staggering $1.7 billion net loss.

Slower retail store rollout amid rampant black market sales dented the cannabis sector in the last few years. ACB stock could continue to trade weakly amid weakening fundamentals, given the rising interest rate environment.

These are two TSX stocks that might trade lower in the short term. However, here's one name that you could consider buying for the long term.

## Tourmaline Oil

Canada's biggest natural gas producer **Tourmaline Oil** (TSX:TOU) has returned 80% since last year, outperforming peer TSX energy stocks. Notably, it is expected to see steep financial growth next year as well. That's due to its higher production and strong price environment.

The stock is not among some of the undervalued names. But its robust earnings-growth prospects and dividend-growth potential make it an appealing stock. Plus, Tourmaline has achieved remarkable balance sheet strength this year by aggressively repaying debt. So, even if gas prices fall, a remote possibility for now, TOU will likely remain firm and create a decent shareholder value.



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2. TSX:AC (Air Canada)
3. TSX:ACB (Aurora Cannabis)
4. TSX:TOU (Tourmaline Oil Corp.)

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