



Selling Losers Before 2023? Buy These 2 TSX Stocks With the Proceeds

Description

Bearish 2022 is nearing an end. The year 2023 brings fears of a recession but optimism around sectors waiting to bounce back when the economy recovers. It is time to sell those loss-making stocks that are struggling for survival and use the proceeds to buy stocks that are moving ahead with growth plans.

Stocks to sell before 2023

The pandemic followed by the global energy crisis and recession put pressure on [airline stocks](#). While **Air Canada** ([TSX:AC](#)) saw a return of 95% of its 2019 capacity, an 80% jump in fuel cost kept the airline in a net loss of over \$500 million in the [third quarter](#). The strengthening of the U.S. dollar increased its foreign currency-denominated debt by over \$1 billion. While the demand has returned, the airline's financials are stretched. It only has liquidity (\$10.24 billion) to fulfill its working capital (\$9 billion) needs.

Air Canada is struggling to survive. In such a situation, a prolonged recession could plunge the airline into losses it can't handle. Even if there is no recession, Air Canada could take at least three to five years to see some sustainable growth. The weak [fundamentals](#) will limit the upside of Air Canada's stock price, as the shareholder equity faces a deficiency of \$1.9 billion due to long-term debt of over \$16 billion.

If you purchased Air Canada stock, it is time to book losses. It can at least reduce your capital gain tax liability for 2022. And you can use the proceeds to buy stocks with better growth potential that not only recoup your losses but also earn you profit.

Two stocks to buy with your sales proceeds

For instance, Steven bought 100 shares of AC at \$26/share and sold them at \$19/share. He booked a loss of \$700 from AC but made a \$1,000 gain from other stocks. He can deduct a capital loss of \$700 and reduce his 2022 taxable income from investments to \$300. Steven got \$1,900 from the sale of his

100 shares of Air Canada.

To recoup the loss, Steven has to invest in stocks that can grow 37% and convert his \$1,900 to \$2,600. The below two stocks can give him such kind of returns.

BlackBerry

BlackBerry ([TSX:BB](#)) stock is trading at a 26% discount from its average trading price of \$8.8. This dip comes as the overall market crashed in August when the Bank of Canada resorted to aggressive interest rate hikes to slow the inflation rate. BlackBerry stock continued to fall, as its revenue slipped by 4% in the August 31, 2022, quarter. However, its growth lies in the Internet of Things (IoT) segment, where its QNX system powers automotive.

BlackBerry saw a 28% year-over-year revenue growth in the IoT segment, as it secured design wins from top automakers like **Volkswagen** and China's electric vehicle (EV) makers. The company has about \$560 million in QNX royalty revenue backlog, which it will realize when vehicle production begins. The chip supply shortage, Europe's energy crisis, China's frequent covid lockdowns, and high commodity prices have impacted automotive production.

The chip supply shortage eased in October and pushed BlackBerry stock up 18%, hinting upside as car production resumes. If you buy the stock now, it can give you a 34% capital appreciation when the stock grows to its average trading price of \$8.8.

Descartes Systems

Descartes Systems ([TSX:DSG](#)) is a long-term growth stock and gives an average annual return of 20%. Its supply chain management solutions have been minting money in 2022, as the return of air travel and energy exports more than offset the weakness in e-commerce volumes. The company will report its third-quarter earnings on December 7. But its first-half earnings reported double-digit growth in both the top line (18%) and bottom line (11%).

Descartes has strong fundamentals that can help it sustain recession and recover with the return of trade volumes. The stock already surged 20% from its May low. Now is the time to buy the stock, as it trades 9% below its November peak. It has a better chance of recovering your AC loss and growing your money faster than inflation.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:BB (BlackBerry)
3. TSX:DSG (The Descartes Systems Group Inc)

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