



## Invest in WestJet Airlines Ltd. or Air Canada in This Down Market?

### Description

It has been a rough couple of weeks for the stock market on both sides of the border. The Dow and the S&P TSX Composite are more than 1,000 points behind their September peaks, and many companies are unnecessarily seeing their stock prices plummet.

That is the catch: As some industries, like oil, are directly affected by the most recent purge of stock values, there are others that will benefit from this shift in the market. One of them is Canadian aviation. Unlike their American counterparts, Canadian companies, especially **WestJet Airlines Ltd** (TSX: WJA), will remain mostly unaffected from an Ebola-related drop in consumer activity. **Air Canada** (TSX: AC.B), for its part, has been pushing its discount carrier Rouge, which should help mediate any international flight losses.

Another prime factor here is the drop in crude oil prices, which couldn't have come at a better time for the airlines. WTI crude has fallen to \$82.92, and shows no signs of recovering in the near future. This is great news if you're an airline gearing for the Christmas season.

Both airlines enjoyed record load factors in August, and are still expecting the trend to continue during the upcoming Christmas rush. So with lower fuel prices and the new fee for the first checked bag, this could turn into a very profitable year for the two airlines. All that's missing is a recovery of the loonie.

It's a veritable bargain market out there for investors who are considering either of these companies, but which one soars above the other?

### Air Canada: Too big to succeed?

As mentioned earlier, Air Canada might actually suffer from its broad international capacities thanks to the Ebola situation. Many American and international airlines are already feeling the effects of passengers refusing to fly due to fears of infection. The possibility of further quarantines won't help alleviate those concerns, either.

The hope for Air Canada is that its North American routes could compensate for any losses faced by its international routes. This would be accomplished through lower fuel prices and the growing

expansion of Rouge, which has lower costs.

Air Canada's stock has been steadily falling since June and this market downturn isn't helping matters. It has gone from \$10.90 in June to \$9 in mid-September to \$7.26 on Friday. Yet the average price target remains at \$12.32. This opens up a great opportunity for investors willing to take the risk.

### **Slow-and-steady WestJet could win the race**

In the past four weeks, WestJet's stock has fallen by 18% on the market's gravitational pull — it's gone from a 52-week high of \$33.33 on September 18 to Friday's closing price of \$29.13.

But this is not the true story behind WestJet. One analyst has called the company "among the best operators in the airline industry," and WestJet is quickly closing the gap between itself and rival Air Canada.

A flurry of expansions in the past couple of years has reinvigorated the company such as forays into Dublin and Glasgow and more services to southern vacation destinations. Most notable is the opening of its discount carrier, Encore, which has gone from its testing grounds in the west to setting up its eastern hub in Toronto in just over a year.

Some analysts believe that WestJet's investors could see a 30% return over the next year, an intriguing prediction for any investor. WestJet still had an average price target of \$36.70 a few weeks ago so this would have looked like a narrow profit window. But thanks to the market slump, the possible short-term gains investors could see have almost doubled.

### **CATEGORY**

1. Investing

### **Category**

1. Investing

### **Date**

2025/08/24

### **Date Created**

2014/10/20

### **Author**

cameronconway

default watermark