Which Is the Better Buy: Air Canada (TSX:AC) or Sierra Wireless (TSX:SW)?

Description

The Canadian market has been slowly but surely making its climb back from the depths of 2018. While many investors might be happy to see their stocks going in a positive direction for once, others might not be so excited.

The change means there are fewer opportunities for stocks to truly be buys. But those chances still exist. Two options that we've recommended in the past here at the Motley Fool are **Air Canada** (TSX:AC)(TSX:AC.B) and **Sierra Wireless** (TSX:SW)(NASDAQ:SWIR). But are both still buys?

Air Canada

Air Canada is the perfect example of waiting out the storm. The company wasn't immune to the downward spiral in stock prices in the last few months, but it came out the other side with only a few minor scrapes.

The stock has hit some pretty low numbers between $20 and $23 per share, but overall it continues to trend upwards. That's mainly thanks to its recent purchase of Aimia Canada, which owns and operates Aeroplan loyalty. Air Canada also finalized deals with **TD**, **CIBC**, and **Visa** and is working on one with **American Express**, so customers can now connect their loyalty points to their credit cards.

The company has practically a monopoly on the airline industry in Canada. Air Canada continues to expand its use of new aircraft to drive costs lower with better fuel efficiency, its low-cost arm Rouge, and its international presence. Granted, the international opportunity will prove a hard nut to crack, but overall this company has a strong bullish outlook in the short and long term. Investors should expect more good news when the quarterly earnings report is announced on February 15.

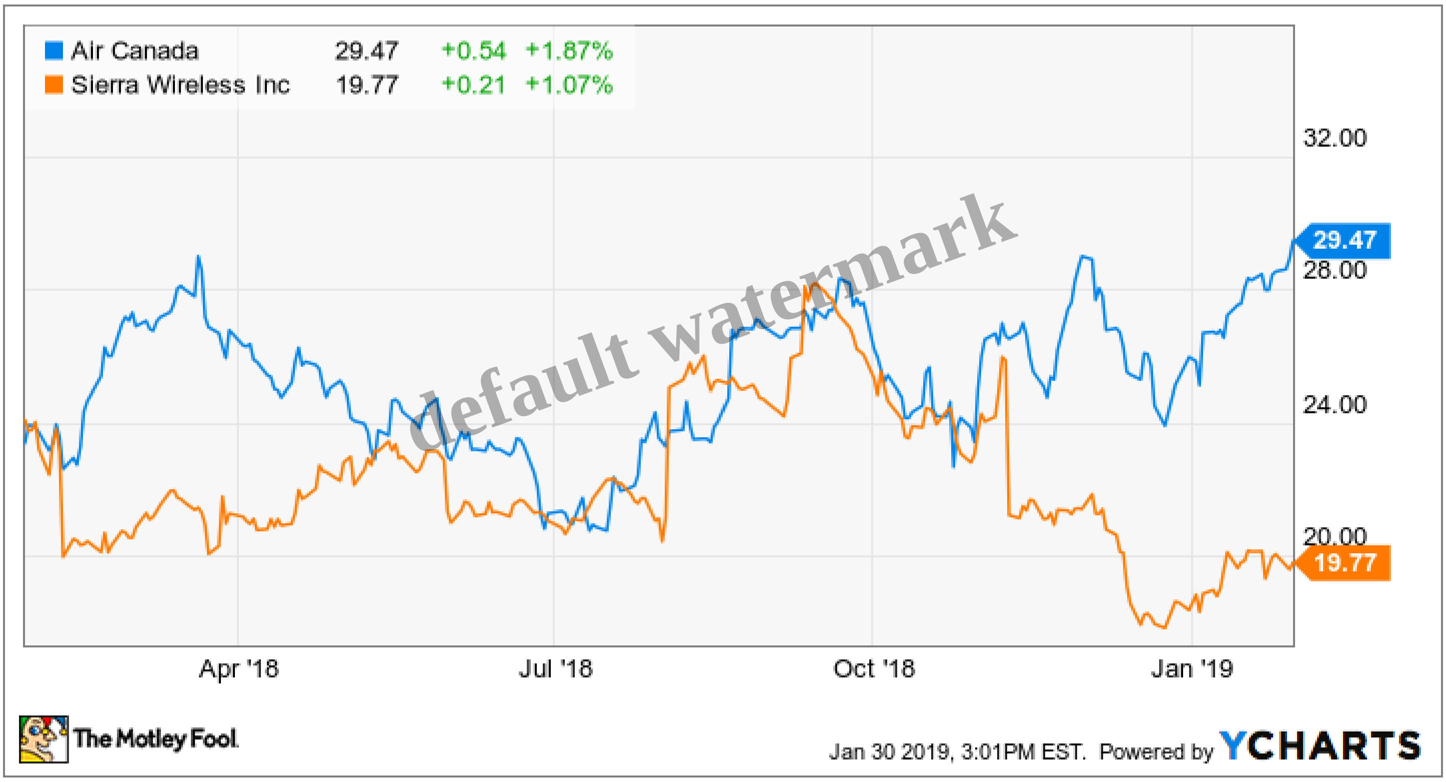
Sierra Wireless

There's a reason so many people have invested in Sierra Wireless. The tech company has pretty much a monopoly on the modem business. This puts Sierra Wireless in the position to be first to take advantage of any new digital trend that comes out, such as 5G wireless technology.

Yet the stock remains at some of its lowest numbers in the last year, ranging between $18 and $20. That's quite the drop from the highs of $28 back in September. So, what gives?

Honestly, there's not too good of a reason for it. Right now, the stock is lower because of the U.S. trade war with China. The company announced it expects profits to suffer due to the tariffs imposed on goods imported from China. That doesn't leave the best outlook for the next quarterly earnings report on February 13.

However, a trade war isn't likely to be permanent. Eventually it will end, and when it does, Sierra Wireless will start producing those strong earnings again. That could make its current price of $19.78 at the time of writing this article quite the steal.



Bottom line

So, which is the better buy? I have to give it to Air Canada. While Sierra Wireless will likely make a comeback, it's unclear when that could be. The stock has a fair value of closer to $24 per share, with some analysts saying it's more like $18. Unless some big news comes out, or when 5G starts rolling, the stock is likely to stay on the low end.

Air Canada, however, is inching towards its fair-value price of $35 day by day, with the next year putting the stock as high as $45. It's definitely still a buy at its current share price of $29.30, but it may not stay that way for long. And with such a rosy future ahead, now is the time to buy.

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