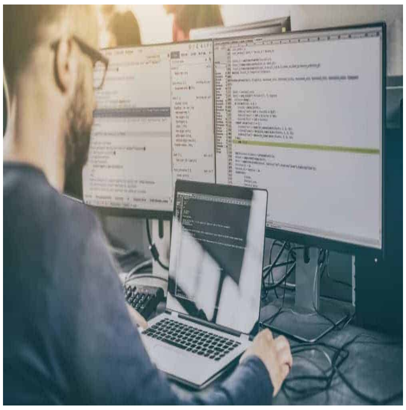

Coronavirus Fears Might Beat Down These 2 Stocks

Description

With the coronavirus all over the news, stocks have tended to be negatively impacted. Last Friday, the **Dow Jones** experienced a 600-point loss as markets leaned toward fear. Some stocks have fallen significantly, especially those tied to travel and recreation. Airlines and restaurants, in particular, are beginning to fall.

Is it time to get in on these stocks, or should you wait?

Airlines, as expected, have been hard hit by the virus. Travel has been limited or stopped completely to certain destinations. In some cases, people have decided to stay away from restaurants.

Traffic will likely also decrease in the coming weeks if the virus continues to spread, which will more than likely have a short-term impact on airline earnings, leading to a potential drop in their share prices.

Airlines

Air Canada (TSX:AC)(TSX:AC.B) has already experienced a slight drop in the share price, falling from above $50 a share to around $44 a share at writing. This has left the stock with a price-to-earnings multiple of about 11 times trailing earnings, which is fairly cheap.

They'll likely be more downside to come in the future if air travel is negatively impacted for an extended period. This will become apparent at a future earnings call when the true impact of the virus is calculated.

If it does come down and you want to own an airline, Air Canada might be a good choice for you. The company performed well as of its Q3 2019 report, stating that it had received record revenues and a 9% increase in EBITDA year over year.

Personally, I still ascribe to Warren Buffet's prior belief that airlines are not a great investment over the long term. They are susceptible to so many negative shocks, such as oil prices and epidemics, that it's difficult to predict how they'll perform over the long run. But if you have your heart set on owning an airline, wait and see whether Air Canada continues to pull back in the coming weeks.

Restaurants

There's a good chance that restaurants will also be negatively impacted in the coming weeks. From what I hear, most people need to eat, so there will likely be a demand for restaurants going forward.

Some will likely be more impacted than others, though, due to the nature of their businesses. A restaurant chain like **Boston Pizza Royalties Income Fund** (TSX:BPF.UN) might be worth looking at given that its restaurants are all sit-down establishments.

This Royalty fund gets its income from the over 395 dining establishments located across Canada. The royalties it receives are paid out in distributions to unitholders.

Currently, the fund pays a distribution yield of 9.73%. That distribution has been raised 18 times since 2002, making it a pretty appealing income stream for investors.

The bottom line

Events such as the coronavirus are terrible events. Businesses in industries thought to be vulnerable to the events are frequently impacted by the virus in the short term. Airlines like Air Canada could be one such case.

Personally, I prefer restaurant stocks like Boston Pizza, as they tend to have a loyal customer base and they provide an important service. I am still waiting to see if they'll be more of a pullback before buying, but if you are looking for income Boston Pizza's 9.73% yield might be appealing.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/09/30
Date Created
2020/02/04
Author
krisknutson