COVID-19 Sell-Off: Avoid 2 Stocks and Buy 1 as Bailouts Loom

Description

Hard-hit industries like entertainment, hotel, and travel are facing bankruptcy if a bailout is not possible. Compared with the 2008 financial meltdown, the coronavirus recession is much worse.

The practical advice is to avoid **Great Canadian Gaming** (TSX:GC) and **American Hotel Income Properties** (TSX:HOT.UN). However, **CargoJet** (TSX:CJT) should be on your watch list given its crucial role in the pandemic.

No playbook

GC has ceased operating because of the rapidly escalating COVID-19 pandemic. Given the extraordinary circumstances, the gaming and entertainment industry is unsure of its long-term stability. Thus, operators of gaming, entertainment, and hospitality facilities are in danger.

According to GC CEO Rod Baker, there's no playbook to deal with the situation. Management must make vital strategic and operating decisions. The best the company can do is to actively monitor the implications of COVID-19 at the present and on the future of the business.

The suspension of operations has affected the teams in British Columbia, New Brunswick, Nova Scotia, and Ontario. About 25 facilities across Canada are non-operational.

In the stock market, the year-to-date loss is 47.82%. The price is down to $22.46 as of this writing. GC is hoping the pandemic will end soon so its facilities can reopen.

Dwindling bookings

Real estate investment trusts (REITs) are also under duress. AHIP, the once dividend superstar, manages a portfolio of premium-branded, select-service hotels in the secondary U.S. markets. Its proven track record of successful investments is no match for COVID-19.

The AHIP stock is now trading at only $1.55 per share, which is a year-to-date loss of 77.17%. From $556.23 million in late February this year, the market capitalization is down to $121 million.

AHIP’s 79 hotels are open for business and complying with the government’s health guidelines. This REIT, however, admits there’s a rapid deterioration in the pace of guestroom bookings. Occupancy rates are dropping due to travel restrictions and social distancing mandate.

Cash preservation is the utmost priority. To preserve cash and liquidity positions, AHIP is putting aggressive cost-saving and cash-management measures. After the payment on April 15, 2020, the monthly distributions will be suspended until economic conditions improve.

Surging business

Unlike GC and AHIP, the loss of CargoJet year to date is only 2.67%. This $1.56 billion air cargo service company is keeping the supply chain moving inside Canada and across the border in the United States. With the temporary closure or shutdown of physical stores, Canadians are relying on CargoJet to deliver essential needs.

The volume and demand from e-commerce, healthcare, and essential supplies are significantly higher. Its team can’t work from home but needs to perform its duties. However, many employees are dealing with child-care issues due to school closures.

In terms of capacity, CargoJet is making adjustments to serve both domestic and trans-border needs. The aircraft flying international and charter routes have been redeployed to its Canadian Overnight network.

The move is also to prioritize the integrated supply chains in Canada. This Ontario-based carrier assures Canadians that it’s well equipped and ready to meet the surging volume.

Choose your investments well

Choose the industry and nature of the business wisely. The environment is fraught with danger that bailouts might be in order.

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TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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