Forget Air Canada (TSX:AC) — Buy TD Bank (TSX:TD) Instead!

Description

The COVID-19 fears continue to weigh on equity markets around the globe. With the earnings season on the horizon, investors will get a better understanding of the impact the dreaded virus on the top line of several companies.

Over the last two months, several governments have announced lockdowns and shut their borders, which has decimated stocks in the travel, hospitality, retail, and tourism sector.

Shares of **Air Canada** (TSX:AC)(TSX:AC.B) have fallen over 60% from record highs. Shares of Canada's top airline in fact fell from a record high of $52.71 to a multi-year low of $9.26 in just two months.

We have seen that noted investor Warren Buffett has also trimmed his exposure to the airline sector in recent times. The Oracle of Omaha sold 2.3 million shares of **Southwest Airlines** and 13 million shares of **Delta Air Lines** according to recent filings.

Airline stock including Air Canada is bound to be volatile in the near-term. On March 30, the company announced a temporary reduction of 50% of its workforce or 16,500 jobs as a result of the COVID-19 crisis and the ongoing restrictions on global travel.

The company had to reduce its seat capacity by 85% to 90% and is incurring heavy losses. It also announced a cost reduction and capital deferral program of about $750 million to cut expenses and ensure operational sustainability.

Earlier this month, the Government of Canada announced the Canada Emergency Wage Subsidy to help employers keep workers on their payrolls. The program is intended to support businesses that have experienced a decline of 30% or more in their top line.

However, for Air Canada, any near-term recovery in its stock price and capacity depends on the lifting of travel restrictions, which will result in an increase in passenger traffic.

Air Canada has a strong balance sheet and a huge market presence that will keep investors interested.

However, the travel sector may take time to recover, as restrictions will be lifted in a phased manner.

Should recession fears come true, global travel will continue to experience subdued demand for the next few quarters, further delaying turnaround efforts for Air Canada and peers.

Invest in dividend-paying stocks like TD Bank

While several companies carry significant risk due to the COVID-19 pandemic, investing in large-cap stocks such as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) seem a safer bet in these uncertain times.

TD Bank has seen its stock price fall by 25% due to the current uncertain global and domestic environment. Low energy prices and a rise in unemployment rates have not helped either.

However, with a market cap of $106 billion, TD Bank is one of the largest companies in Canada and is almost too big to fail.

It has a huge presence in North America and will make a strong comeback when the economy and markets recover. In 2019, the company saw revenue rise by 5.7%, and its top line has grown by 20% in the last three years. Its earnings in 2019 stood at $11.6 billion, which has grown by 50% in the last five years.

With over 2,300 locations in the United States and Canada, TD Bank's diversified portfolio should increase investor wealth in the upcoming decade.

Further, its juicy dividend yield of 5.2% makes it an attractive pick for income investors as well.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:AC (Air Canada)
3. TSX:TD (The Toronto-Dominion Bank)

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