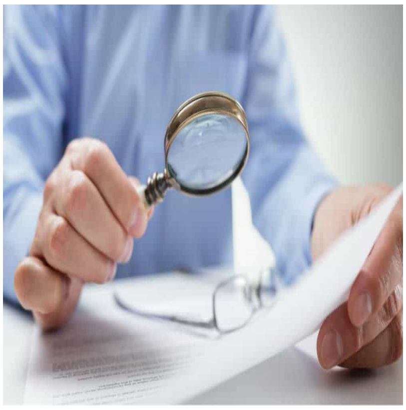

Air Canada (TSX:AC) Stock Is Just Part of a Total Market Sea-Change

Description

March was all about the market crash. April was all about the market rally. But there is no doubt that 2020 as a whole will be all about the pandemic. Investors are generating a lot of hype about airline stocks such as **Air Canada** (TSX:AC) — most of it negative. But Air Canada is just a small part of a much bigger change. Let's review two emerging themes and see how investors can navigate a profoundly shifting market.

The bargain stock of the century

Berkshire Hathaway has pulled out of airlines. However, the Warren Buffett investment vehicle still has a significant amount of money invested in plane sales and plane part manufacturers. Manufacturers are arguably much higher risk than airlines themselves, though. This is because demand in flights could come back much quicker post-pandemic than demand for new planes.

So, never mind Warren Buffett. Berkshire Hathaway ditched airline stocks as soon as the going looked tough. The move understandably dismayed aviation investors. Investors should instead get behind recovery efforts and cream some upside by stacking shares in the biggest names in aviating. Names like Air Canada belong to the "too big too fail" club — although government intervention could be required.

Still, the thesis for buying into a grounded airline bailed out by the government certainly has its selling points. For one thing, once Air Canada hits rock bottom, there's nothing left but upside. Investors betting on an eventual return to the skies could cash in on a recovery rally. But beyond the recovery, Air Canada is still the widest moat in this space and could be a top name to buy for the long haul.

Don’t wait for the bottom, though. Air Canada could bounce back at any moment, so buy shares while they’re battered. Or split your position and only buy the dips. Chances are, Air Canada will rally every time a positive breakthrough hits the headlines. Like most stocks in the current market, aviation names are highly event driven. By building a position over the next few months, Air Canada investors will reduce capital exposure and gain shares at decreasing value.

Airlines are down and green power is up

The pandemic has changed everything. Green energy is about to go mainstream fast. Renewables are already overtaking hydrocarbon stocks during the pandemic. Indeed, the case for buying into solar power got a sudden boost this week when the Trump Administration green-lit the Gemini project in Nevada. The billion-dollar desert development would be the eighth largest of its kind worldwide. Even the International Energy Agency has turned green bull.

Green power stocks are therefore well positioned to capitalize on this seismic shift in energy production. **Northland Power** investors could even expect as much as 130% total returns in the next five years. And remember that this is a conservative estimate; the upside for green power companies could shake out much higher. While energy usage is a concern, green energy upside will nevertheless strengthen as oil continues to crater.

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