3 Top Stocks I'd Buy Over Air Canada (TSX:AC)

Description

It has been a tumultuous year for **Air Canada** (TSX:AC) and basically any airline stock. Once a high-flying TSX stock (sorry for the pun), Air Canada now is trading down 70% year to date.

Investing in Air Canada stock is a risky bet

As much as I want to support Canada's only publicly traded passenger airline, I still think it is uninvestable today.

First, as long as there is no cure for COVID-19, Air Canada's business is at risk. Consumers are wary to travel on tightly packed planes, and the possibility of being forced quarantine to anywhere outside Canada makes leisure travel unpractical.

Second, business travel habits are changing quickly. Businesses are starting to prefer online conferences, rather than paying for costly travel conventions and meetings. I doubt business travel volumes will ever return to what they were previously.

Third, capital is drying up for airlines and travel stocks. The most obvious symbol of this was when Warren Buffett took a major loss when he sold his entire stake in U.S. airlines. This just demonstrates that institutional investors are fearful that things could get a lot uglier for the airline industry.

Fourth, if the crisis persists, the Canadian government may have to bail out Air Canada, again. A bail out is not a good reason to ever buy a stock. Bailouts are either hugely dilutive to stockholders, or stockholders lose all their equity, as debt holders take hold of the corporation's assets.

Investing in Air Canada stock is speculation at best

Lastly, investors should buy stocks operating with strength in the crisis. Perhaps, in a few years Air Canada will recover, but I have no way of knowing that. Buying Air Canada stock is pure speculation, not investing. You are essentially gambling on elements that are completely out of Air Canada's control. Its business strategy is based on survival, not expansion. How is that an attractive investment quality in any way?

Since speculation is not a good way to build long-term wealth, I would suggest using the market crash to buy a portfolio of best-in-class companies. These are companies that have control over their operations and their future. Today, there are many TSX stocks that are trading cheaply but have a clear vision forward through the pandemic crisis. Here are three stocks that are significantly better investments than Air Canada today.

Buy bargain stocks that are best in class instead

The first is **Brookfield Asset Management**. It is cheap, trading 31% below its highs in February. BAM is the largest alternative asset manager in the world. It has $60 billion of capital ready to deploy right now. While some of its subsidiaries may face challenges in 2020, it has the capacity to capitalize over the long run on bargain-priced assets, equities, and debt. It is a global business, so it has the added benefit of being able to deploy capital anywhere, across the globe, a deal arises.

Second, is **WPT Industrial REIT**. It is trading at a 60% discount to fair value, and the stock is down 23% year to date. Yet, of the TSX REITs, it is set to benefit the most from the coronavirus crisis.

It has a large U.S. portfolio of high-bay, large-footprint logistics properties that are perfect for e-commerce distribution. The coronavirus has only quickened the pace of e-commerce adoption. I think this real estate asset class will have strong demand for many years to come. Not to mention, the REIT yields a hefty 7.1% right now!

The last stock I would buy over Air Canada is **CP Rail**. Year to date, its stock is down 10%. There are only two railroads in Canada, and CP is one of them. Its transportation infrastructure is crucial for the functioning of the Canadian economy; its business isn't going anywhere. CP is utilizing the recent economic downturn to improve its infrastructure and stimulate efficiencies across its business. As a result, CP will be capable of a strong rebound once the economy normalizes.

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