Air Canada (TSX:AC) Vs. Suncor (TSX:SU): Which Stock Could Double This Year?

Description

Despite the remarkable recovery in stock markets during the past three months, there are still many stocks that haven't been able to participate in this move higher.

Air Canada (TSX:AC) and **Suncor Energy** (TSX:SU)(NYSE:SU) are the two beaten-down stocks that could prove good turnaround bets for contrarian investors. Let's take a deeper look to understand which of these two stocks offer better upside potential.

Air Canada stock

It takes a lot of courage to buy Air Canada stock these days. The COVID-19 pandemic is still raging, and there is a strong case for the second wave. Analysts and industry executives are predicting a long and painful journey ahead, where almost every aspect of the air travel will be affected.

Some airlines are considering requiring passengers to sign health certifications or to eventually carry "immunity passports"—documentation that a passenger has had and recovered from the virus.

Amid this highly uncertain environment, Air Canada stock has almost given up all the gains that came with the rally that started in mid-May. Air Canada stock closed yesterday at $16.20, down more than 30% in the past one month.

That being said, Air Canada remains an attractive turnaround bet if you believe there will be a vaccine for COVID-19. And that breakthrough will be enough to bring back travelers and revive tourism.

From the U.S. to China to Germany, scientists are working around the clock to find a vaccine against the novel coronavirus. Some researchers say a vaccine could be ready for emergency use by the end of the year. The Trump administration has announced "Operation Warp Speed" to have an inoculation ready as soon as possible.

If that happens, then I believe Air Canada stock will be trading close to $30 a share by then end of this year.

Suncor stock

Energy stocks were another casualty of the pandemic-driven downturn. **Suncor Energy** (TSX:SU)(NYSE:SU), one of the largest integrated oil companies in North America, has lost more than half of its value during the pandemic.

The plunge in oil demand was so dramatic that it forced Suncor to slash its capital spending and cut the company's quarterly dividend to $0.21 a share from $0.465.

Buying the Suncor stock for a quick turnaround means that you're betting that the global economy is recovering after the virus shock and oil demand will be back to normal soon.

The latest trend in oil markets suggests that energy stocks may have passed the worst of this crisis. According to a recent report, Chinese oil demand is all but back to levels last seen before Beijing imposed a national lockdown.

Since China is the world's second-largest oil consumer, behind only the U.S., the country's quick turnaround has helped tighten the petroleum market sooner than expected. West Texas Intermediate crude, which in April had plunged into negative prices, was trading close to $40 a barrel yesterday.

Bottom line

Between the two stocks, I find Air Canada a better turnaround bet. I don't believe that pandemic has altered human behaviour permanently towards travelling. I can't imagine a world where people stop visiting beautiful places and experiencing new cultures.

As far as oil stocks are concerned, they're in a cyclical downturn and their recovery is uncertain, especially when the use of electric cars and renewable energy sources is increasing fast in advanced economies.

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