Airline Stocks: Buy or Sell?

Description

While the year 2020 has been a disastrous one for the stock market, few sectors have suffered as much as airlines, hospitality, and tourism. As per Canadian airlines, one of the reasons why they are suffering more than some of their international counterparts is because of government's stringent travel restrictions that's especially choking off international travel.

The country's premier airline is suffering the most from the lack of international travel, but it's just as bad for the two other airlines. The picture changes drastically when we look toward cargo. Where the passenger-centric business is plummeting, cargo-related businesses are soaring to new highs. So when some airline stocks are hitting rock bottom, and one is skyrocketing, is it time to buy or sell them?

The smallest airline

Chorus Aviation (TSX:CHR) is a holding company and a global provider of regional airline solutions. In Canada, Chorus owns Jazz and Voyager Aviation, one of which flies directly under **Air Canada**. Whether these long-term contracts with the country's number one airline or the situation of the airline sector around the globe is the number one reason behind Chorus's stock valuation is hard to say. Still, whatever the reason, Chorus is in bad shape.

The company is currently trading at $2.4 per share at writing — about 70% down from its pre-pandemic valuation. The dividends, once an important reason for choosing it before other airline stocks, have been suspended since April. It also had to lay off much of its staff just to keep operational.

While the second-quarter earnings of Chorus aren't as bad as they could be, given the sector's situation, they aren't very encouraging either. While capital appreciation was never a strong trait of Chorus stock, with earnings where they are now, it's highly unlikely that investors might see dividends resuming anytime soon. So despite the low (and very attractive) valuation right now, Chorus is not a good buy.

If you already have it in your portfolio, selling it at the current price would be a mistake. Because if there's even a remote chance that the stock would reclaim its valuation or crosses $5 per share mark in a couple of years, holding on to it might be better for your portfolio.

The powerful cargo stock

On the opposite end of the spectrum is **Cargojet** (TSX:CJT), one of the most potent growth stocks currently trading in **TSX.** The stock is 140% high from its lowest point during the crash in a matter of five months. Cargojet's growth is most likely sustainable (even if it's dangerously oversold right now), because of the rise of e-commerce and its "alliance" with Amazon for overnight deliveries.

Ironically, the company is both a sell and a buy *if* you believe another crash is just around the corner. Similar to other stocks that recovered too rapidly for their sales and fundamentals to catch up, much of Cargojet's growth can be attributed to investor optimism. And if the stock has peaked, now might be an amazing time to sell.

And if the tax numbers make sense — given that they might be considered short-term gains, you can buy into the company again during another market crash.

Foolish takeaway

If you want to play it safe, staying away from the airline stocks might be a good idea. If you have them in your portfolio, holding on to them is better. You can sell them when the market normalizes a bit.

Ideally, the best scenario would be buying into one of the airlines on the verge of a vaccine's announcement, but only if the airline hasn't diluted its stock to nothingness by then.

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TICKERS GLOBAL

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Date
2025/08/15
Date Created
2020/08/28
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