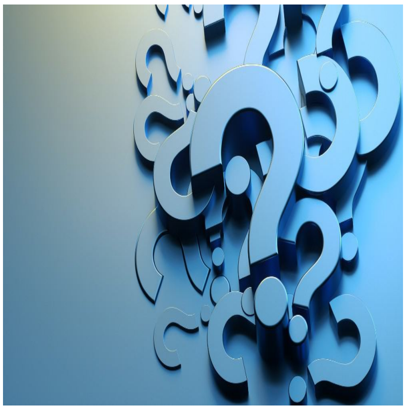

Cineplex and Air Canada Stock: A Match Made in Heaven?

## Description

Let's talk about recovery for a moment. Everybody expects it, which means that it's baked in to the markets. If a recovery wasn't baked in, investors wouldn't be pumping so much money into consumer discretionaries. But rather than invest in things that folks are already buying, how about investing in things that people *aren't* buying? The pandemic has weighed heavily on stocks, but the rally could be fierce.



# Add a pinch of risk to a stock portfolio

Investors may therefore wish to stash a few slightly risky shares in their stock portfolios. This seems counterintuitive at the moment. But there has never been a better time to use the barbell method of investing. This involves buying riskier near-term names counterweighted with low-risk, long-term stocks. Anything weighted by public interaction could spring back, such as plane and movie tickets.

Should people be sitting on planes or in movie theatres while a pandemic is ongoing? The jury is out. But the fact is that a workable vaccine rollout could see both industries start to recover. While the economic recovery could be slow, it's going to cause stocks to rally. Models of such a rally range from swift to staggered, though the general assumption is that some kind of a recovery is a given.

By pairing **Air Canada** (TSX:AC) with **Cineplex** (TSX:CGX), Canadian investors can tap a recovery rally simply by buying some beaten-up shares. While a recovery is likely to be staggered, and could be presaged by a number of smaller vaccine breakthrough rallies, the upside is there for the taking. Once the Band-Aid is ripped off, these types of businesses will get an infusion of lifeblood – specifically foot traffic.

There are other winners and losers implicated by a relief rally, though. Losers will include all those tech stocks that fitted a quarantined society to a tee. Anything connected to e-commerce is likely to be shunned once the economy begins to heal from the ravages of the coronavirus outbreak. But an "eek-commerce" plunge is likely to be offset by improvements in the energy and hospitality sectors.

## Diversification is key

But should investors be adding a lot of recovery names to a stock portfolio right now? In a way, the rally – when it comes – almost represents a sector in its own right. Investors should avoid overexposure to the "foot traffic" sector.

However, what they could do is build a kind of "foot traffic index." This could involve buying fewer shares in any one name and diversifying across areas that could bounce back post-pandemic. Investors could therefore hold names such as Air Canada and Cineplex in tandem with other sectoral market leaders.

Other sectors to keep tabs on include energy, traditional retail (those with a heavy high street presence), and all businesses that are heavily weighted by foot traffic. The comeback in energy usage should help to drive higher fuel and electricity prices through ratcheting demand. This should help to massage the energy sector and buoy the **TSX**, leading to broader rallies.

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