



## 2 TSX Stocks I'd Buy Before Investing in Air Canada (TSX:AC)

### Description

It's no surprise to see a list of travel-related stocks trail the Canadian market over the past eight months. The COVID-19 pandemic brought international travel to an abrupt stop earlier this year. As a result, many stocks have suffered since February.

Airline stocks were among the hardest hit earlier this year. Canada's largest airline, **Air Canada** ([TSX:AC](#)), was no exception. In just one month, the airline stock lost more than 70% of its value.

Since the stock hit its bottom in mid-March, it has regained some of those losses. But even after rallying close to 25% since the last week of March, the stock is still down roughly 65% year to date.

### Why I'm bearish on Air Canada stock

While it may seem that Air Canada is an absolute steal at these prices, I see this more as a [value trap](#) than a value play.

I'm not as bearish against Air Canada as much as I am towards the entire airline industry. We've seen many companies throughout this pandemic impressively adapt to doing business in an economy that's been completely disrupted by a global pandemic. Airline stocks have not had some type of opportunity to rebound as well as some other industries have.

My bottom line with airline stocks is that I don't predict we will back to pre-COVID profit levels anytime soon. And because of that, the risk to reward of investing in Air Canada is just not worth it to me.

I believe that Air Canada will eventually be able to turn things around, but what you need to consider is the opportunity cost of investing in another stock instead of Air Canada.

I've covered two Canadian stocks that I believe will continue to outperform not only Air Canada over the short and long term but the entire Canadian market as well.

## Fortis

I definitely won't argue that **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is the most exciting company on the Canadian stock market. But there's nothing wrong with an investment that delivers steady, market-beating growth, and passive income.

Fortis is a gas and electricity utility company that serves customers predominantly in North America. More than 90% of revenue is generated from regulated assets, which is why the stock has been such a dependable growth driver for the past 25 years.

Year to date, the stock is up just under 5%. It's when you look at a longer time period that you can get a better picture of how it's outperformed the market. Over the past five years, the stock is up 40%, doubling the returns of the **S&P/TSX Composite Index**. Over the past decade, it's up 70%, more than doubling the returns of that same index. That's not even taking into account dividends either.

The utility company offers one of the [top dividends](#) you'll find on the Canadian market. The Dividend Aristocrat boasts an impressive dividend-growth streak of more than 45 years. Today, the \$2.02 annual dividend payout is equal to a very respectable yield of 3.6%.

## Toronto-Dominion Bank

In addition to airline stocks, Bank stocks haven't fared particularly well either throughout the pandemic. Each of the Big Five banks has trailed the Canadian market for most of the year so far. That being said, I am still very bullish on **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) over the long term.

The decline in interest rates has hurt most of the major banks in the short term. But over the long term, I believe this reliable stock will continue to outperform the Canadian market, while also providing a dividend that earns a ridiculous yield at today's stock price.

At a dividend of \$3.16 per share, the yield is equal to a whopping 5.1% at today's stock price.

## Foolish bottom line

Even if you're investing for the long term, I'm on a bear on Air Canada stock. While I believe there's a turnaround story there, I'd just rather have my money invested in stocks with stronger growth potential.

Both Fortis and TD Bank have not only demonstrated that they can consistently outperform the Canadian market over a long-term period, but they can provide passive income at the same time, too.

### CATEGORY

1. Bank Stocks
2. Investing

### POST TAG

1. air canada
2. air canada stock
3. Bank stocks
4. fortis stock
5. TD Bank
6. td stock
7. utilities
8. utility stocks

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:AC (Air Canada)
3. TSX:FTS (Fortis Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

## Category

1. Bank Stocks
2. Investing

## Tags

1. air canada
2. air canada stock
3. Bank stocks
4. fortis stock
5. TD Bank
6. td stock
7. utilities
8. utility stocks

## Date

2025/07/20

## Date Created

2020/10/15

## Author

ndobroruka

default watermark