



Better Stock in November: Air Canada (TSX:AC) or Cineplex (TSX:CGX)?

Description

The **S&P/TSX Composite Index** got off to a good start to open the month of November, gaining 116 points on Monday. Recently, I'd discussed the possibility of a sharp market pullback, as Canadian provinces and countries around the world have retreated to more restrictive measures as COVID-19 cases rise. Today, I want to look at two stocks that have struggled mightily in 2020. **Air Canada** ([TSX:AC](#)) and the airline industry have suffered huge setbacks due to the pandemic, while **Cineplex** ([TSX:CGX](#)) and the fate of the movie theatre business may literally hang in the balance over the next few months.

Which stock is the better buy today? Is either worth the risk? Let's dive in.

The case for Air Canada in the final two months of 2020

Towards the end of August, I'd discussed Air Canada's [sudden gain in momentum](#). At the time, it looked like the airline sector may be on the comeback trail in the second half of the year. Unfortunately, the prospect of tightening restrictions threw cold water on that prospect.

Shares of Air Canada have dropped 13% over the past week. The stock is down 69% in 2020. This Monday, Air Canada's Rouge returned to the skies. Rouge flies exclusively to North American destinations and was launched as a competitor to rising regional airlines. Moreover, the company announced the re-opening of its lounges at Toronto Pearson, Vancouver, and Calgary airports. It is still battling this pandemic, but this does represent at least a partial return to normalcy in this space.

The world is waiting anxiously for a vaccine to be approved in the weeks ahead. With it, Air Canada and its peers can begin to dream of a return to business as usual in the airline space. Investors should not forget that Air Canada still has tremendous growth potential going forward. It is trading just \$5 off its 52-week low. This could be a great opportunity for long-term investors to add a top growth stock for cheap.

Cineplex and the cinema industry need a miracle

Unlike the airline industry, cinemas were already battling headwinds before the COVID-19 pandemic changed everyday life. The rise of streaming services like **Netflix**, **Amazon**, and others had pulled many consumers to commit entirely to home entertainment. Cinemas have been forced to rely on big blockbusters for the bulk of their revenue.

Cineplex is Canada's largest movie theatre operator. Its shares have plunged 84% so far this year. The stock is down 35% month over month. Cineplex took a [big hit](#) after the United Kingdom-based giant Cineworld announced it would shut down operations. The U.K. has gone back into a second lockdown, which is set to deal even further damage to a reeling service sector.

Movie theatre companies like Cineplex, Cineworld, and the United States-based operator **AMC Entertainment** are bleeding cash. Each company will be reliant on an olive branch from creditors in the months ahead.

Verdict

Air Canada and the airline industry still has a bright future ahead once it can make it out of the storm that is the COVID-19 pandemic. The movie theatre industry, however, has likely suffered irreparable damage during this crisis. Even more consumers have been pulled to home entertainment options. Worse, streaming companies have reportedly started to make aggressive offers for what would have been new releases like *No Time to Die*. If this dam breaks, movie theatres could see mass closures before the end of this decade.

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2. TSX:CGX (Cineplex Inc.)

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Author

aocallaghan

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