How to Buy Air Canada Stock in a Volatile Market

### Description

This is a market to buy the dips and sell the rips, as the axiom goes. Investors in stocks most beaten up by the pandemic were presented opportunities to do a bit of both this week. Stocks such as **Air Canada** (TSX:AC) saw a lot of bullish action earlier in the week.



Up 20% in just five days, Air Canada has shown the market just what a recovery could look like. But that recovery isn't here yet. A beat-up quality pick for an eventual recovery, Air Canada is likely going to go back on sale while the latest vaccine hope leaches out of the markets.

## Recovery upside could be stratospheric

Three distinct global movements are still trending behind the scenes that investors may be aware without necessarily factoring into their strategies. These are U.S. protectionism; the continuing phenomena known as the Asian Century; and economic instability in the European Union. The pandemic is likely to both exacerbate and complicate these trends, with the result of eventually reordering global markets.

That's why investors should already be looking beyond post-pandemic recovery scenarios. Instead, TSX shareholders should ask, "Which names will be thriving 10 years from now?" Taking an ultra-macro view, only the most defensive of stocks should be in a long-term portfolio. Energy production and agricultural inputs are two of the most resilient of dividend-paying industries.

For instance, investors may wish to pair **Enbridge** (TSX:ENB)(NYSE:ENB) and **Nutrien** (TSX:NTR)( NYSE:NTR). While a hydrocarbon thesis has been systemically weakened in the long term, Enbridge is a wide-moat behemoth. It also has "green power" chops, boasting increasingly impressive renewables exposure. For example, Enbridge has invested heavily in wind farms since the early 2000s. Nutrien is also defensively wide moat, commanding huge market share in the global potash space.

These are both sterling examples of predictable dividend stocks. But, of course, these all-weather buys can also be counterbalanced with riskier near-term picks. Depending on one's appetite for adventure, a barbell portfolio can be built around businesses at both ends of the volatility spectrum.

## Pick barbell stocks to manage risk

In 2021, the trend is unlikely to be your friend. Unless, of course, that trend turns out to be the reversal of former trends. The swing from growth stocks to value stocks will necessitate a reorganization of personal investment portfolios. But unlike a black swan market, which catches everybody by surprise, at least a recovery can be planned for.

Air Canada is therefore an apt foil to names like Enbridge and Nutrien. It commands a central position in a grounded industry, ready to take to the skies at the drop of a hat. A consensus buy, an official end to the pandemic will almost certainly see sudden explosive upside in this market leading commercial aviator — perhaps as much as 80%.

This near-term upside potential complements longer-term passive income. Enbridge and Nutrien's dividend yields of 8.5% and 4.4%, respectively, make for a defensive counterweight to Air Canada's riskier near-term outlook. This technique makes use of the vagaries of the current market by capitalizing on both short-term momentum and long-term predictability.



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