



1 Top TSX Value Stock to Buy Instead of Air Canada (TSX:AC)

Description

Air Canada ([TSX:AC](#)) has been one of the most talked-about Canadian stocks throughout 2020. At one point, the airline stock was down 75% on the year. The COVID-19 pandemic brought travel to an abrupt halt, which did not take long to be reflected in Air Canada's share price.

Air Canada stock bottomed out at about \$12 a share in the last week of March. From April to October, shares were trading flat. Investors then saw the share price soar throughout November.

Positive news surrounding potential COVID-19 vaccines saw companies and entire industries go on [incredible bull runs](#) in November. Air Canada stock grew close to 70% through November. Even with that unbelievable run, the airline stock is still down 50% on the year.

Is Air Canada stock a value trap or value play?

Air Canada will make it out of this pandemic, but that doesn't mean I'm buying shares of the airline any time soon, even if it's trading at a serious discount. The recent run-up tells me that there are a lot of bullish investors, but I still see the stock as a value trap and not a value play.

I'm not a complete bear against Air Canada and other airline stocks., however. I just believe that there are much more [opportunistic value stocks](#) to be investing in today. There's a turnaround story with a positive ending for Air Canada, but it's important to ask yourself what the opportunity cost would be of investing in the stock today? The uncertainty of the entire airline industry and the opportunity cost are two reasons why I have another value stock at the top of my watch list today.

Royal Bank of Canada

While airline stocks have not had a great year, bank stocks aren't far behind. But after a strong month of November, we're beginning to see some of the Canadian banks return to all-time highs on the year.

Banks and financial services companies were hit particularly hit by the effects of the pandemic. As the pandemic wreaked all kinds of havoc on economies across the globe, the Canadian government dramatically dropped interest rates to help stimulate the economy. As a result, profits of the Canadian

banks were slashed just as quickly as their share prices.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) has been one of the stronger banks throughout the year so far. The stock dropped more than 30% when the pandemic first hit. But after an impressive gain of 15% in November, Royal Bank of Canada is up almost 5% on the year.

Bank stocks have been among the most stable **TSX** companies to own for decades. As well, each of the Big Five banks pays out a dividend equal to a yield of 4% or higher.

Royal Bank of Canada has delivered share price growth of about 100% over the past decade. In comparison, the **S&P/TSX Composite Index** is up just 30%.

With regard to the dividend, you'll be hard-pressed to find a stock with that kind of growth over the past decade that also owns a dividend yield of 4%. The bank pays an annual dividend of \$4.32 per share, which is good enough for a yield of just over 4% at today's stock price.

Foolish bottom line

Royal Bank of Canada and Air Canada are two stocks that are ripe for a turnaround. The main reason why I'd much rather own the bank is because it's much easier to imagine what the banking industry will look like in a post-COVID-19 economy than what the airline industry will look like.

Royal Bank of Canada is most certainly not a value trap, but instead a very Foolish value play.

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Author

ndobroruka

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