



Air Canada (TSX:AC) and 2 Other Plays to Crush the Market in 2021

Description

It's been a brutal year, but there is [hope](#) on the horizon. The end of this horrific pandemic possibly just months away, thanks to a handful of safe and effective COVID-19 vaccines. So, there are things to be optimistic about, even as we hunker down for the holiday season.

This piece will look at three stocks that I'm willing to bet will outperform the **TSX Index** and the **S&P 500** considerably in the new year. In no particular order, consider **Air Canada** ([TSX:AC](#)), **ONEX** ([TSX:ONEX](#)), and **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)), three [intriguing contrarian plays](#) with far more room to run.

Air Canada

Air Canada is one of the more popular reopening plays out there. With the vaccine rollout underway, the coast seems clear for take-off. But with potential roadblocks, including mutated strains of COVID-19, that could threaten to delay the elimination of the coronavirus; Air Canada will remain a very turbulent bet that should only be scooped up by investors who are willing to hang on for the long haul.

I think air travel recovery expectations are modest. Perhaps too modest, given the likelihood of pent-up demand for travel that will be met once COVID is conquered. Although Air Canada may not soar as soon as its more domestically-focused peers south of the border, such negatives are already baked into the share price here following recent travel restriction jitters.

AC stock is down 17% from its early December high and is well worth nibbling on the way down.

ONEX

ONEX is a lesser-known investment manager that's better known for its ownership of WestJet Airlines, which was unfortunately acquired less than a year before the COVID crisis struck. Talk about bad timing! In addition to WestJet, many other businesses held under the ONEX umbrella have been feeling pressure from the pandemic. ONEX stock collapsed back in February and March, losing over

50% of its value from peak to trough before bouncing back in the following months.

The stock has been an absolute steal for months. And although shares bounced again following November's promising vaccine news, the name is a bargain with a risk/reward that's tough to match. Once this pandemic ends, I suspect ONEX will be back above its pre-pandemic highs. In the meantime, shares could be at risk of a near-term retracement alongside some of the hotter reopening plays that have been unstoppable over the past two months.

With a near-20% discount to book value, ONEX is one of the cheapest stocks to play the reopening of the Canadian economy. I think shares have a wider margin of safety than Air Canada and would encourage contrarians to start accumulating shares now and on any near-term pullbacks.

Scotiabank

Scotiabank, Canada's most international bank, has been under a considerable amount of pressure this year. As you may know, the emerging markets felt the full impact of this crisis. Scotiabank's international exposure, which is capable of greater long-term growth, also leaves the bank at greater risk than its more domestically-focused peers.

With the pandemic's end on the horizon, now is as good a time as any to punch your ticket into an emerging markets play, either directly or indirectly through Scotiabank, for a shot at enhanced long-term returns. Personally, I'd rather bet on Scotiabank than venture into other indices for such exposure. The bank is incredibly well-managed, and its shares look far too cheap, even after November's massive +20% bounce.

When you weigh Scotiabank's longer-term profitability prospects beyond 2021, it becomes more apparent that BNS stock has no business trading at just 1.3 times book value.

2020 was the year of provisioning and damage control for the banks. And 2021, I believe, will be about making up for lost time as the big banks get back on the growth track.

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2. TSX:AC (Air Canada)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ONEX (Onex Corporation)

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