



Forget Bitcoin and Air Canada: These 3 Stocks Could Soar in 2021

Description

While **Bitcoin** and **Air Canada** enjoyed spectacular rallies in Q4 2020, the party might not last in 2021.

Is Bitcoin a buy or sell now?

Bitcoin trades near US\$23,000 at the time of writing. That's a gain of 130% since September and more than triple the price at the beginning of the year. The huge run in the past two months should put investors on the defensive. Predictions of an extended rally to US\$50,000 in 2021 are becoming more common. That might turn out to be where Bitcoin heads, but there is significant downside risk.

Bitcoin staged a similar speculative move in late 2017. Investors who bought near the high around US\$19,000 took a beating if they held on for the next 12 months. By December 2018, Bitcoin had again fallen below US\$4,000.

At this point, it would be sensible to stay on the sidelines or look for [cheaper alternatives](#).

Is Air Canada's stock rally over?

Air Canada soared from \$15 at the beginning of November to \$27.50 a month later for a gain of more than 80% in just four weeks. The surge came on the heels of positive vaccine trial results that filled investors with hope that travel restrictions will disappear in the near future.

Once the general public gets vaccinated in Canada, the United States and Europe, the Canadian government will remove travel bans, but that might not occur until the second half of 2021. The holiday market should rebound quickly. Business travellers, however, who make up a good chunk of Air Canada's profits, might not return.

Expensive bailout conditions and rising fuel prices also pose potential headwinds to a recovery. Air Canada traded for \$50 when planes were full and profits fat. Now that the company has cut more than half of its staff, junked nearly 80 planes, and expects to burn through \$1 billion in net cash this quarter,

the current share price of \$23 appears sky-high.

Stocks to buy instead of Bitcoin or Air Canada?

Investors might want to put money in [top dividend stocks](#) as we head into 2021. Utilities, telecoms, and even some energy names appear cheap today and offer fantastic dividends that pay you handsomely to wait for a recovery. Low interest rates should support higher multiples for top-quality dividend payers in the next few years.

For example, **Enbridge**, **BCE**, and **Canadian Natural Resources** might be interesting picks today.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) just raised its dividend by 3% and expects distributable cash flow to grow by 5-7% per year over the long term. Future dividend hikes should be in that range, providing steady income growth. The stock trades near \$41 right now and offers a dividend yield of 8%.

A rally back above \$50 per share wouldn't be a surprise next year, and \$60 is definitely within reach over the next 24 months. The 12-month high on Enbridge stock is \$57.

Enbridge's pipelines act like toll booths. That's more attractive than betting on Bitcoin.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) trades near \$55 compared to \$65 earlier this year. As the economy improves, lockdowns end and travel resumes BCE should see advertising revenue rebound in the media group. Lucrative roaming fees could also return to prior levels. This, along with ultra-low interest rates, should drive the stock back to the 2020 highs.

BCE has new revenue opportunities to tap. The rollout of 5G networks should boost phone upgrades, while demand could surge for remote monitoring of homes as people head back to the office.

The current dividend provides a 6% yield. While BCE isn't as exciting as Bitcoin, it provides a great return and is a stock that many consider to be the next best thing to a GIC when it comes to safety of the payout.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is a contrarian bet. The oil and natural gas producer took a beating this year amid a crash in oil prices due to weak fuel demand. Natural gas, however, is holding up well and Canadian Natural Resources just raised its capital program in the [2021 budget](#) from \$2.7 billion to \$3.2 billion citing stronger market prices.

The company expects free cash flow to be \$2-2.5 billion next year at West Texas Intermediate (WTI) oil of US\$45 per barrel, below the International Energy Agency's anticipated average 2021 WTI price. Canadian Natural Resources raised the dividend in each of the past 20 years. The current payout

provides a 5.5% yield.

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