



## Forget a Stock Market Crash: Here Are 2 Top Recovery Bets for 2021

### Description

2021 started on a strong note for equity investors. However, stretched valuations, continued spread of the virus, and vaccine distribution challenges are leading many to believe that the stock markets could crash.

While I agree that most Canadian stocks are looking expensive, I do not expect the stock market to crash. Instead, I believe widespread vaccine distribution is likely to spur consumer demand and support corporate earnings growth, which, in turn, should drive the recovery in stocks hit hard by the pandemic.

**Air Canada** ([TSX:AC](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stocks lost significant value in 2020 and are down about 55% and 45%, respectively, in one year. While there were good reasons why investors heavily shorted these two stocks in 2020, I believe the worst is over, and economic expansion in 2021 could substantially boost both these companies. However, it's going to be a bumpy ride owing to the near-term challenges.

### Air Canada could surge on higher demand

I expect Air Canada stock to deliver strong financial performance, especially in the second half of 2021. I believe by that time, the COVID-19 vaccine will be widely available, which is likely to drive bookings and passenger demand and boost investors' sentiment.

Moreover, Air Canada's net cash burn is expected to show a steep sequential decline, and it could turn cash positive by year-end. Also, its operating losses are likely to diminish as the year progresses and lockdown measures are eased. While it could take a bit longer for Air Canada to reach the pre-pandemic levels, I believe the pent-up demand in the second half of the year could lift its [stock higher](#).

Besides passenger demand, Air Canada is likely to benefit from its increased focus on the air cargo business. The company has increased the number of cargo flights and doubled its cargo capacity. Further, it is converting two of its aircraft into freighter to capitalize on the growing demand.

Air Canada operates at a lower cost base and could deliver impressive growth as the demand returns to normal.

## Suncor to gain from the economic recovery

I believe the economic recovery is likely to give a significant boost to [Suncor Energy stock](#). Oil prices have recovered sharply over the past several months and are consolidating above \$50 per barrel, which is an encouraging sign for energy companies.

The reopening of the economy, vaccine rollout, and an uptick in demand is likely to support Suncor stock in 2021. Meanwhile, Suncor's integrated business model and low-cost base position it well to benefit from higher oil prices and demand recovery. Suncor's losses are likely to shrink, while its funds from operations could show improvement.

Notably, the normalization of economic activities following the widespread vaccine distribution is likely to be the key catalyst for Suncor Energy stock. While Suncor Energy stock is expected to appreciate in value, investors are also likely to benefit from its dividends.

Suncor pays a quarterly dividend of \$0.21 a share, translating into a decent yield of 3.6%.

## Bottom line

Investors should note economic expansion in 2021 and recovery in demand is likely to drive the shares of the companies hit hard by the pandemic. Moreover, both Suncor and Air Canada stock are trading cheap and offering good value at the current price levels.

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1. Coronavirus
2. Dividend Stocks
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