



Air Canada and Cineplex Stocks Face Massive Upside: Which Is the Better Buy?

Description

Air Canada ([TSX:AC](#)) and **Cineplex** ([TSX:CGX](#)) stocks look like no-brainer bets for those looking for a good shot at [outsized gains](#) in the coming recovery. Some people are referring to the imminent recovery and expansion as the “roaring 2020s.” There’s a considerable amount of pent-up demand for travel, leisure, and all the sort. And built-up savings will finance a potential post-pandemic discretionary spending boom.

We’re all longing for some sense of normalcy, and many of us are itching to take to the skies in a flight to our favourite destinations. Some of us want to be in the company of friends at the local Cineplex. After all, nothing spells normalcy like arcade, dinner, and a movie, all of which we’ve been deprived of amid lockdowns, restrictions, and other difficult yet necessary restrictions to curb the spread of the insidious coronavirus and its equally horrific variants.

With a handful of safe and effective COVID vaccines rolling out, some speculate that we could be in for the mother of all expansionary spending booms.

We all need a vacation, and Air Canada will be ready to sell us a ticket to our favourite international destination once the federal government deems it’s safe. For now, it seems as though investors have moved on from the pandemic, with sights set on a brighter future.

Air Canada and Cineplex remain risky, even amid the accelerated vaccine rollout

As I’ve noted in prior pieces, warning investors over chasing the most at-risk reopening plays like Air Canada and Cineplex, there’s still no telling how far the light at the end of the tunnel really is. Based on the trajectory of the battered and bruised reopening plays, it seems like the bulls expect the end of the pandemic to accompany some sort of pre-pandemic level of normalcy.

The bond market is pointing to rampant inflation, yet the U.S. Federal Reserve seems more than content with sitting on its hands, shooting down any thoughts of interest rate hikes over the near future.

Undoubtedly, pundits are more concerned with lifting the economy out of one of the worst crises in recent history.

Could “true” normalcy really be in the cards?

Although it's nice to be optimistic and think we're headed back to normal, one must not grow complacent or lose track of the risks, as others punch their ticket to the reopening plays like Cineplex and Air Canada, bidding up their prices to potentially unsustainable levels.

The end of the pandemic doesn't mean COVID-19 will be gone for good. It could come back. Even after more than enough arms get jabbed to reach herd immunity, a more contagious virus variant could return if the federal or provincial governments ease restrictions too fast.

Could we be looking at a world where masks, annual vaccinations, frequent testing, quarantine hotels, and social-distancing are the new normal for good? Who knows? Regardless, cinemas like Cineplex and internationally focused airlines like Air Canada are most at risk should stringent restrictions not go away with this pandemic.

The longer-term implications of COVID-19 on cinemas and airlines are not yet fully understood. As such, investors would be wise to adopt a “barbell” approach, rather than going all-in in the riskiest of reopening plays like Cineplex and Air Canada.

Cineplex and Air Canada: Better buy?

While such risky reopening plays face a multitude of upside if we are, in fact, done with COVID-19 next year, they also face considerable downside if mutated variants were to get the upper-hand on vaccine makers, as they look to stay steps ahead of the virus and all its variants of concern. As such, I can't say with any degree of certainty that Cineplex or Air Canada will not face insolvency issues moving forward. That said, it is worth noting that Cineplex's in-demand bond offering and Air Canada's bailout and relief prospects are encouraging.

At this juncture, I favour Air Canada over Cineplex, because I think the government will stand by its side should things get out of hand again. Regardless, only bet what you're willing to lose because the [stakes](#) remain as high as ever.

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