Forget Air Canada (TSX:AC) Stock: This Stock Has Real Value

Description

It's been almost a year since the pandemic collapsed the market, and **Air Canada** (TSX:AC) along with it. The stock traded at all-time highs back in the beginning of March. But with the pandemic putting travel at a standstill, shares sunk by 64% practically overnight.

Since then, there has been a delicate rally in the stock. While it still isn't back to pre-crash levels, it's come up 130% since that time. Investors may be thinking they can get quick returns from this stock, but I'd be careful. While Air Canada stock is still a great long-term hold, I would caution against quick earnings.

Avoid Air Canada stock

If you're a retiree, for example, you may need funds at any moment to support your livelihood. This leads some investors to think they should get in on the action when it comes to stocks on the rebound. But while Air Canada will very likely be here years and even decades from now, it's still an incredibly risky stock for short-term investors.

Management hoped there would be a recovery in the second half of 2021. However, variants and a slower rollout of vaccines doesn't make that look likely. Waves are still part of our future, and, in fact, there will likely be countries that will take years to get the vaccine, if ever. That will severely limit flights until a time management can assure safety.

Along with those waves of variants and slow rollout goes investment in Air Canada. The company is already swimming in debt with limited flights and massive investment over the last few years. That could become even larger, as the company will have to assure passengers they won't catch COVID-19 or any variants or any future illnesses on board. This will take a lot of planning and a lot of cash, in all likelihood.

All this means that things have really only gotten worse for the company. Although flights are in the air, we are still far away from a full recovery hoped by the airline. Some think it might not be until 2022 that we see a fully rebound from the pandemic. Yet there is one area that continues to see a rebound, and it's one that affects Air Canada stock.

Oil price rebound

You may have already noticed that your car's gas bill has been higher this month. West Texas Intermediate (WTI) trades at $66 as of writing, with oil finally reaching pre-crash levels once again. Demand for oil as the market recovers and the vaccine is rolled out has been on the rise. The energy sector continues to climb finally after being in basically a free fall since 2018.

But today, with production ramped up and lockdown restrictions relaxing, it looks like Canada especially could see a serious energy recovery. If you want in on the action, one of the best places to look right now would be with **Suncor Energy** (TSX:SU)(NYSE:SU).

Suncor stock crashed during the early days of the pandemic after it missed earnings estimates and slashed its dividend. The company struggled for revenue, but if one company is going to make a quick and steady rebound, it has to be Suncor stock. The company is the largest fully integrated oil and gas producer in the country. It made investments before the pandemic in Alberta's oil sands that can soon ramp up production. Warren Buffett clearly still believes in the stock, continuing to own 19.1 million shares as of writing.

Bottom line

Shares in Suncor are up 31% year to date, with the company offering a 3.32% dividend yield. It's incredibly cheap with a price-to-book ratio of 1.1, with analysts expecting growth in EBITDA to reach about 8% in 2022 and 10.32% in 2023. That leaves now as a great opportunity to catch the ride to the top.

While Air Canada stock is tempting, unless you're willing to ride the risk, I would avoid this stock for now. Long-term investors can benefit from Air Canada, but you'll get both short- and long-term benefits with Suncor stock.

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