

1 Top Canadian Stock I'd Buy Before Air Canada (TSX:AC)

Description

Air Canada ([TSX:AC](#)) stock was understandably hit hard during the COVID-19 market crash last spring. Shares dropped an unbelievable 70% in not even two months. The stock has rebounded well after its devastating crash, though, but I'm not a buyer just yet.

The travel industry came to almost an abrupt halt last year as the COVID-19 virus wreaked havoc across the globe. But as the country is now slowly beginning to re-open, travel and vacations are top of mind for many Canadians today.

While I'm bullish on the return of travelling and vacationing this year, air travel to me is a different story. We still don't have an accurate understanding of how damaging the full year's loss of business will be on the airlines. In addition to that, we also don't know what the post-COVID-19 air travel experience will look like.

I was tempted to pick up shares of Air Canada stock after its initial 70% drop. The travel stock has rebounded extremely well over the past six months going on a near-70% run, which has been largely driven by the optimism around the country's re-opening. But [I'm still not a buyer](#). I think there are better deals to be had on the **TSX** right now if you're looking for long-term value.

Toronto-Dominion Bank

All of Canada's major banks were hit hard during the pandemic. The low-interest-rate environment has been taking a major hit to all the Canadian bank's bottom lines. And with interest rates looking like they'll be taking their time driving back up, I see this as an opportunistic buying opportunity for long-term investors.

I've got **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) at the top of my watch list when it comes to the banks. The \$150 billion bank owns a top dividend yield and is [reasonably priced](#). In addition to that, it provides investors with exposure to more than just the Canadian economy.

At a dividend yield of 3.8%, TD is a great choice if you're looking to earn passive income. But I've got my eye on TD for more reasons than just its dividend. It's the long-term value play that has this bank stock on my watch list right now. The [top-notch dividend](#) is just an added bonus.

At today's price, TD Bank is trading at a favourable forward price-to-earnings ratio of just over 10. The bank has seen its valuation rise over the past few months, but I believe shares are still undervalued.

Investing in the U.S. economy

The last reason I'm looking to add this bank stock to my portfolio is for its exposure to the U.S. economy. It's not uncommon for a Canadian bank to have an international footprint. Where TD stands out from its Canadian peers is in its strong presence south of the border.

Just about one-third of TD's net income is driven by its U.S. operations. In addition to that, it's already ranked within the top-10 largest banks in the U.S., based on total asset size.

The U.S. exposure is a selling point for me because it can provide both growth and diversification for my investment portfolio.

It's no secret that the U.S. stock market has largely outperformed the TSX over the past decade. The next 10 years may be different, but there is still a tremendous amount of growth potential in the U.S. economy.

Diversification is something that all long-term investors need in their portfolios. The benefit of having a stock with such a large presence outside the Canadian economy provides investors with that much-needed diversification.

Foolish bottom line

Air Canada stock is looking like it's ready to rebound this year, but that doesn't make me a buyer. It's not the business that I'm necessarily bearish on, it's the uncertainty in the future of air travel. There are still too many unknowns in the air travel industry right now for me to want to own shares of Air Canada stock.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. ac
2. air canada
3. air canada stock
4. Bank stocks
5. banks
6. canadian banks
7. dividend investing
8. dividend stocks
9. passive income
10. TD
11. TD Bank
12. TD Bank Stock
13. travel stocks

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:AC (Air Canada)
3. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. ac
2. air canada
3. air canada stock
4. Bank stocks
5. banks
6. canadian banks
7. dividend investing
8. dividend stocks
9. passive income
10. TD
11. TD Bank
12. TD Bank Stock
13. travel stocks

Date

2025/07/19

Date Created

2021/03/23

Author

ndobroruka

default watermark

default watermark