



Cineplex Stock: The Ultimate Reopening Play?

Description

A year into this pandemic, and we are still cooped up at home. The pandemic has certainly been cause for concern in multiple sectors. However, the entertainment segment has been among the worst hit. Accordingly, stocks like **Cineplex** ([TSX:CGX](#)) have had a tumultuous year.

However, of late, people are itching to go out in public once again and take in a movie. At-home entertainment is great, but seeing a movie on the big screen certainly sounds nice right about now. Riding this sentiment, stocks like Cineplex have understandably prompted excitement among investors. In fact, some are quick to brand this stock as one of the best reopening plays in the recovering economy.

Here's my take on why I feel this sentiment could be a reason for [continued outperformance](#) for Cineplex.

Reopening potential key to Cineplex stock's rise

I think there's reason to be bearish on the cinema business over the long term. At-home entertainment and streaming services have become much more "sticky" as a result of the pandemic. Indeed, there's likely to be some structural damage to the movie industry over the long term.

That said, the market today isn't thinking very long term today. It appears any company with a reopening thesis is being bid up hard. This sentiment-driven momentum is likely to drive Cineplex stock higher over the near term. Indeed, there's certainly an understandable thesis at play with this stock.

With quicker vaccine rollouts and anticipation of pandemic-related restrictions easing, there's room to be optimistic the cinema industry may once again thrive soon. If cinema operators like Cineplex can channel this excitement into a longer-term loyal customer base, all the better for shareholders.

These days, the market is buzzing with expectations that Cineplex and other highly sensitive reopening plays such as **Air Canada** ([TSX:AC](#)) will boom as more restrictions are relaxed. Judging by investor sentiment and anticipated market momentum, it's feasible that Cineplex can continue to outperform in

the near term.

Then again, a significant portion of this speculation is based on two potential catalysts — a quick domestic vaccine rollout and a corresponding surge in cinema theatre attendance in the coming quarters. The rate at which these catalysts take hold is likely to be a key determining factor of Cineplex's stock price. As such, I expect volatility on the horizon.

Bottom line

With such expected volatility, investors need to remember to be prudent in their position sizing and manage their portfolio risk accordingly with stocks like Cineplex right now. I have no idea how this stock will trade in the coming days, weeks, or months. When this level of sentiment is involved in pricing stocks, the direction a company's stock price is headed can turn on a dime.

Cineplex stock is still significantly higher since the beginning of the year but has been picking up downside momentum over the past month. This makes this trade even more risky in my books today.

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