



## The Airline Industry Looks Good, Adviser Says

### Description

Fewer Canadian stocks encountered more problems in the past year than **Air Canada** ([TSX:AC](#)) did. In 2020, it racked up a whopping \$4.5 billion net loss, and it started 2021 with a \$1.3. billion loss. Its most recent quarter was its worst yet in terms of GAAP earnings. But at least one adviser thinks North American aviation is looking pretty good. In this article, I'll explore the adviser's comments and what they mean for investors.

### Stan Wong of Scotia Wealth

Stan Wong is a Portfolio Manager with Scotia Wealth — the wealth management division of the **Bank of Nova Scotia**. [According to his website](#), he advises his clients on investments with a variety of different risk appetites, ranging from “capital preservation” to high growth.

Recently, Wong made the news in *BNN Bloomberg*, where he touted the recovery in North American aviation. The interview was not exactly a plug for Air Canada, but he mentioned that he includes the stock in client portfolios. He also name-dropped the U.S. airline ETF **U.S. Global Jets ETF** (NYSE:JETS), which holds shares in the major U.S. airlines.

### Major recovery in air travel

In his interview, Wong brought up a variety of data points to show that North American air travel is recovering. Among other items he brought up, the following highlights were mentioned:

- We're currently at 1.7 million daily passengers.
- At the worst, we were down to 100,000.
- Pre-pandemic, we were at 2.5 million.
- Revenue passenger kilometres will recover to 43% of 2019 levels by the end of this year.
- More recovery will likely take place in 2022.

Broadly, these data point to a North American [airline industry on the upswing](#). However, Canada

seems to be a little behind the U.S. on re-opening. According to *StatCan*, Canadian air travel was still down 87.5% year over year in December 2020. That's nothing close to the numbers coming out of the U.S., which is more than halfway to recovery.

## ETFs may be ideal

If you want to play the airline recovery, you have several options available to you.

The first, of course, is to buy Air Canada. As a Canadian investor, you may want to support Canadian companies — buying AC would be consistent with that goal.

You could also consider the JETS ETF. As I showed earlier, the U.S. airline recovery is WAY further along than Canada's is. Many airlines are already closing in on their pre-COVID passenger numbers, and that'll only grow from here. If you invest in JETS, you're mainly buying U.S. airlines, which seem like a safer bet than AC right now.

The flipside of that is that AC could have more room to grow when it finally does recover. While AC stock has made impressive gains over the past year, its earnings numbers are probably still holding it back to some extent. If you buy it now and wait until the day when it finally becomes profitable again, you may see your shares rise more sharply than those of U.S. airlines. That's a point for considering Air Canada as an individual stock holding. You could also hold both AC and JETS and get exposure to Canadian and U.S. airlines together.

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