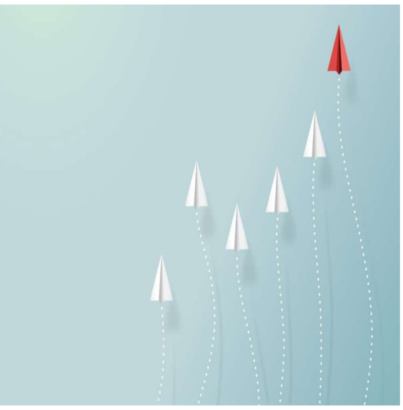

Forget Air Canada (TSX:AC): 2 Stocks Ready to Ride a Recovery Rally

Description

The power of the recovery rally is way more than the normal growth. It's like putting the starship cruiser on hyperdrive. Many analysts criticized Warren Buffett for exiting airline stocks in April 2020 when they dipped to a multi-year low. He was right; there was too much at stake. But with risk comes opportunities. Airline stocks only started to recover in November 2020, when the vaccine news came. Since then, **Air Canada** (TSX:AC) stock has surged 80%. The last time it had this level of growth was in 2019.

Hopes of Air Canada stock's recovery rally

Air Canada is still halfway through a complete recovery to the pre-pandemic level of $50. And I don't expect it to reach this level for the next three years at least. Because the recovery rally can only take the stock to a certain level. After that, fundamentals kick in and growth plateaus. Air Canada stock will ride on the pent-up demand for air travel.

I expect it to peak at $40 by June 2022, and from there, the growth will plateau. This represents another 50% upside. But the rising COVID cases worldwide might stall the recovery. Moreover, rising oil prices are only adding to the cash burn. So, if you don't want to take your chances with flying, other local stocks are riding the recovery rally.

Cineplex stock

People are dying to go out, shop, dine, watch a movie, and do any local recreational activities that they can while maintaining social-distancing rules. **Cineplex** (TSX:CGX) is likely to benefit from this. After gathering dust for 16 months, Cineplex is opening its theatres in full swing.

Even moviemakers have been waiting for this day. While some released their movies on over-the-top (OTT) platforms for a premium price, some delayed their launch dates. Cineplex could see a high footfall in the coming six months given the pent-up demand. But this growth will be temporary, as the pandemic has had a long-term impact on the cinema business.

The OTT platforms have already reduced the demand for theatres. It is a dying business, and online streaming is the new in-thing. The pandemic even brought the theatre-going audience to OTT and made them sticky. Some movie buffs even converted a room in their home into a theatre.

More than fundamentals, I believe Cineplex has a better chance with Redditors. If they decide to use Cineplex for a short squeeze, a 100% rally in a month is possible.

RioCan REIT

When the shopping malls and theatres in the prime locations of Canada light up, **RioCan REIT** (TSX:REI.UN) will be counting rent again. The REIT took a big hit during the pandemic, as most of its rentees went bankrupt or closed their stores forever. This reduced its occupancy ratio. But the future is bright for RioCan, as its future projects are mixed-use properties that include offices and residences, and all are in prime locations.

Once these projects get occupied, it will bring in more rent for RioCan. And as you know Canada's property rates continue to rise, and so does rent. RioCan will also hedge your portfolio against inflation. When prices rise, RioCan increases its rent. The stock still has a 15% upside, as it rides the recovery rally. This is your chance to lock in a 4.26% dividend yield.

Fool's investing style

While recovery stocks are good, never accumulate your portfolio to one or two types of stocks. Variety is the spice of life. Add some flavour of growth and dividend stocks to it.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CGX (Cineplex Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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