Air Canada vs. Cineplex Stock: Which Is the Better Buy?

Description

Air Canada (TSX:AC) and **Cineplex** (TSX:CGX) stock are arguably the most-watched Canadian reopening stocks. As you'd imagine, both names have endured a stomach-churning roller-coaster ride ever since the COVID-19 crisis sent the broader markets nosediving into the abyss back in February and March of 2020.

It seems like a long time since Mr. Market pulled the rug from underneath investors. We've gone without a correction for quite some time. And although certain so-called market strategists may declare we're overdue for a stock market correction or crash, I'd argue that more frequent sub-10% corrections may be the norm. Undoubtedly, you can endure multiple mini-corrections in the place of less frequent 10% corrections or those rare 10-20% plunges.

Indeed, 2021 is the year of robust markets and "rolling corrections." With renewed concerns over COVID-19 variants, specifically, the Delta variant of concern that's caused recent outbreaks, reopening plays like Air Canada and Cineplex stock have been dealt a gut punch.

In prior pieces, I'd warned of rotations and "rolling corrections" across reopening stocks like Air Canada and Cineplex, and COVID-resilient plays like the e-commerce behemoths, most notably **Shopify** on the TSX. But is this latest pullback in reopening stocks an opportunity ahead of the great Canadian reopening? Or could Delta further pressure shares of each firm?

Delta variant sparks pullback in bid-up reopening stocks

Delta sparked a nasty selloff on Monday that had everybody bracing themselves for that much-expected correction. As it turned out, the Delta variant fears were overblown, as the damage reversed in the following trading sessions.

While COVID-19 variants pose a real threat to the recovery of the world economy, I don't think Delta will be the variant that causes anything more severe than a pullback in the reopening plays. Vaccines still work against the variant. With boosters likely on the way, I think any recent damage to some of the more aggressive reopening stocks is nothing more than an opportunity to top up ahead of what could be a historic economic boom.

Air Canada or Cineplex stock: Which reopening play is the better value?

Both Air Canada and Cineplex stock are only for investors willing to hang on after seeing their investments shed over 30% of their value. Simply put, AC and CGX shares aren’t going to be right for everybody, even as Canada’s reopening takes it into high gear while other nations clamp down with new restrictions.

Air Canada stock suffered a 22% pullback from its near-$30 highs before bouncing back modestly to $25 and change. Meanwhile, Cineplex stock plunged 20% from its mid-June high before Wednesday’s much-needed relief rally that propelled CGX shares up nearly 3% on the day.

At this juncture, I continue to favour Cineplex over Air Canada, because I’m far more bullish on Canada’s recovery prospects over that of the world. As such, I think Cineplex can reach 2019 levels of business far faster than Air Canada. Why? Intermittent international travel restrictions could hinder air travel for another 18 months, which could more than offset any pent-up travel demand.

Cineplex, however, could return to near normalcy by year-end if Canada can stay on top of its vaccine progress. I think Canada could be among the first nations to reach herd immunity, and for that reason, I’d prefer to fly domestic when it comes to reopening stocks — at least for now.

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