2 Top TSX Stocks to Watch After the Omicron Variant Selloff

Description

The Omicron variant led the markets lower this past week, and although the TSX Index is just 5% or so away from its high, I think the dip is worth buying into. While investors should be cautious as to what they buy amid the latest COVID selloff, I think the hard-hit reopening plays may be worth nibbling on. Not to discount COVID risks, but panicking is never a great strategy for making money in the stock market. Jumping into the deep end, with the most aggressive stocks after the Omicron variant selloff may also be unwise for those who lack proper diversification.

Omicron variant risks could continue to weigh on top TSX stocks

As we head into even more unknowns in 2022, I'd argue that a COVID barbell approach is still the way to go. Why? Nobody knows when the pandemic will go into endemic mode and what the timeline looks like. Indeed, we may be a year or even many years away from the endemic of the COVID pandemic.

Instead of timing it by going overweight battered reopening plays, one should insist on the TSX stocks that can survive another several waves worth of lockdowns. Nobody wants more COVID shutdowns. We're all tired of the pandemic already. Still, as an investor, one must be ready for anything and to put themselves in a way to more easily roll with the punches as they come along. Nobody knows when the jabs will be thrown your way by Mr. Market, but it is important to ensure you're positioned to remain standing, even if you're hit with a shocker that's not even on your radar yet!

Without further ado, consider these two TSX stocks to watch after the latest Omicron variant-driven market plunge.

Air Canada

Here we go again! **Air Canada** (TSX:AC) stock tanked yet again to $20 and change — a level that I'd previously predicted shares of AC would hit, given the probability of another variant of concern post-

Delta. Now that Air Canada is headed into the high teens, investors should be ready to average down, as it'll be tough to time a bottom in the name with precision.

Now, travel bans and all the sort don't bode well for an international airline like Air Canada. Still, the major airline is just too vital for the Canadian government to let fail. As such, expect help to be there when needed. And don't discount the COVID measures that can help mitigate the risk of future waves. Of course, there's a ton of reopening upside for when we finally do go endemic. Still, nobody knows when that will be. And at this juncture, it seems like such a scenario is a long shot, making AC stock a compelling value as COVID fears approach a high point once again.

CAE

CAE (TSX:CAE)(NYSE:CAE) is a flight simulator maker that's also tumbled amid Omicron variant jitters. When the time comes, pilots will need retraining, and CAE will benefit from the trend, as out-of-work pilots will need to put in the hours before they're cleared for lift-off.

While CAE is still dependent on air travel, the stock is less sensitive, given its solid balance sheet and its defence businesses, which should remain robust, as civil aviation shows signs of weakness once again. The recent 28% pullback off all-time highs, I believe, is nothing short of a bargain. It's a great company with solid management, but a tougher macro environment has led the stock to be oversold. My takeaway? It's time to buy the dip before Omicron variant fears peak.

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