



How to Recoup Losses from Air Canada Stock? 3 Stocks to Consider

Description

Air Canada ([TSX:AC](#)) stock is trading close to its post-vaccine support level of \$20. The last time it touched this level was in January end when it closed more routes due to the second wave of the pandemic. This time it's the travel restrictions coming from the Omicron variant. So far, the government has [imposed](#) travel restrictions like testing and quarantine on 10 countries and could add more countries depending on the state of the contagion.

It's time to recoup losses from Air Canada stock

Even though the world is more prepared than last time, how much more beating can airline stocks take. The airline industry is living its [worst nightmare](#) of the return of the restrictions. While no one knows how big this wave would be, one thing everyone knows is airline shares ain't recovering anytime soon.

Air Canada is a high-risk share that can go in any direction the wind blows. You need to be an [active investor](#) and bold enough to exit when the time is right. After staying bullish on this share for 17 months, I am changing my stance to bear. My original analysis was a recovery from pent-up demand by June 2022, but it seems to be fading. The renewed travel restrictions are delaying the recovery. The more time it takes, the more bruised AC's balance sheet will be.

Hence, it's time to book losses and exit Air Canada stock. If you purchased the share for \$26, you are 17% in the red. The trick to recoup losses is to invest in opposite shares. As AC is a travel stock, its opposite would be stay-at-home stocks. Here are three such shares.

- **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#))
- **Cargojet** ([TSX:CJT](#))
- **Enghouse Systems** ([TSX:ENGH](#))

Descartes Systems

As a supply chain management company, you might wonder how Descartes is a stay-at-home stock. The answer is e-commerce. In 2020, the company saw a surge in e-commerce orders that more than offset declines from industrial and airline industries. After the March 2020 dip of 29%, Descartes's share surged 80% in five months. The share has grown at an average annual rate of 20% in five years (2016-2020). But in 2021, it surged 33%, even though it is down 13% from its November high.

The stock will benefit from e-commerce volumes during the pandemic and industrial and airline volumes during recovery. If you are holding Air Canada stock only to break even, you are missing the opportunity to earn 30-35% returns from Descartes. Even after taking a 17% loss on AC, you could be in green by 13-18%.

Cargojet stock

The cargo airline Cargojet is the exact opposite of Air Canada. When passengers don't travel, the traffic shifts to goods, especially from e-commerce. In 2020, all goods transmitted through passenger planes moved to cargo planes, increasing Cargojet's EBITDA by 100% in the quarter ended September 2020. The stock made its steepest climb of 180% between March 20 and November 6, 2020. If there is another lockdown, Cargojet could see a surge in e-commerce volumes that could drive its stock upwards.

The opposite nature of Air Canada and Cargojet saw the two stocks move in opposite directions in 2021. Between February 1 and March 15, AC stock surged 46% recovering from the second wave, whereas Cargojet stock fell 17%. Between October 28 and November 9, AC stock surged 18.6%, while Cargojet stock fell 4.2%. Having both stocks in your portfolio could balance the volatility of airline stocks.

Enghouse Systems

Enghouse Systems is a software company that uses the growth-through-acquisition strategy. However, there are rumours that the acquirer is exploring options of getting acquired. However, the sources also say nothing is concrete yet. This rumour has pulled the stock down 12%.

If Enghouse finds a buyer, it will look for a hefty premium and a deal could pull the stock closer to the acquisition price. Even if it doesn't find a buyer, a new pandemic wave could bring higher revenue from its video conferencing software like it did in 2020, when the stock more than doubled between March 20 and July 10, 2020.

In either case, the stock could show some sudden upward movement in the coming months and help you recoup losses from Air Canada.

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:AC (Air Canada)
3. TSX:CJT (Cargojet Inc.)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:ENGH (Enghouse Systems Ltd.)

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