



## Air Canada (TSX:AC) and Cineplex (TSX:CGX): 2 Top Canadian Stocks to Watch for 2022

### Description

The broader Canadian stock market has been turbulent lately, with numerous pundits warning of overextended [valuations](#). With such low expectations for 2022 in terms of expected returns, it's only normal to at least think about doing a bit of profit-taking. Still, stock pickers don't need to settle for market returns. It's possible to do better, perhaps even much better, than the TSX Index, with a disciplined value-based approach to stock selection. Of course, those who believe in the efficient market hypothesis will beg to differ. But for those willing to zig as others zag and vice versa, it isn't hard to outpace the TSX, especially with American stocks in your portfolio.

This year, the TSX has done quite well, with strength in energy and financials. With oil stalling, though, stock pickers will likely get the edge over the markets once again. And, best of all, Canadian investors won't need to go south of the border for market-beating [performance](#), given the abundance of stocks trading at multiples slightly below their historical ranges. Indeed, value investors have more to pick from on this side of the border.

## COVID risks are still a major concern going into 2022

As volatility picks up, it may be worthwhile to stash a few Canadian stocks on your watchlist for the new year. Personally, I think buying a third or half position now with the intention of adding on a market-wide pullback is a wise way to go, especially for investors who want to have a game plan for when negative surprises strike, whether it be faster-than-expected interest rate hikes or a COVID variant of concern beyond Omicron that could lead to full lockdowns.

It's always a good idea to be prepared for negative surprises, so one's not inclined to panic and make investment decisions based on emotion. Doing such can hurt one's chances of achieving TSX-beating returns.

## Cineplex and Air Canada: Two popular reopening stocks to

## watch in the new year

Currently, **Cineplex** ([TSX:CGX](#)) and **Air Canada** ([TSX:AC](#)) are among the highest-upside of reopening plays. They're both off a country mile from their highs, and it could be a long road to recovery, as the COVID pandemic's end could be further off than originally expected. Undoubtedly, top doctor Anthony Fauci didn't even expect the pandemic to last this long, which goes to show just how unpredictable it is and why it's probably not a good idea to time its end with a portfolio overweight in reopening plays.

Although Cineplex and Air Canada could have room to run between waves, I think both names should be nibbled gradually, rather than overloading at one price. In any case, both eventful but aggressive reopening stocks are going to be interesting to watch in 2022.

Between Cineplex and Air Canada, I've favoured the former over the latter, given its greater dependence on a recovery and reopening in the domestic economy. Indeed, the rate of vaccination in Canada is considerably higher than in the rest of the world. Although the movie slate may be challenged by video streamers, I think that Cineplex has a better means of bouncing back between waves than the likes of an internationally focused Air Canada.

## The bottom line

The international recovery trajectory remains as unpredictable as ever. That said, the more muted recovery of international travel is likely already mostly baked into Air Canada's share price at \$20 and change per share. Undoubtedly, variants more insidious than Omicron could cause the name to fall back into the mid-teens. Meanwhile, Cineplex can get back up to its feet quicker, although theatre capacity could fluctuate and reverse depending on the severity of national outbreaks.

For now, both stocks are worth watching. Whether or not they're worth a buy depends on the risk tolerances and time horizons of investors.

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