Forget Air Canada Amid Omicron: Here's a Stock That Interests Me Going Into 2022

Description

Going into January 2022, there are a lot of things to worry about, most notably the Omicron variant and its potential to wreak further havoc on the Canadian economy. With the Bank of Canada and U.S. Federal Reserve both poised to deliver a handful of interest rate hikes in the new year, investors may begin to show signs of a tantrum later on, especially if earnings start to stall potentially quicker than expected.

Thus far, investors seem completely okay with U.S. Fed chairman Jerome Powell's slightly hawkish pivot and his intent to hike rates three times in 2022. The Bank of Canada may lead with the first rate hike, and with no surprises in the cards on that front, it seems like broader stock markets have permission to inch higher, even in the face of an Omicron wave. While early data suggested the new variant isn't as virulent as feared, it is noticeably more infectious than Delta. Omicron may also be more elusive of the current slate of vaccines, calling for boosters targeting the specific strain and others that could become variants of concern at some point down the road.

Omicron COVID risks ahead, but investors need not panic

Indeed, we all want COVID-19 to become an endemic disease already. Sadly, there may be another several quarters left in this pandemic before it does go into endemic territory. Although heightened restrictions could be in the cards in 2022, it is worth noting that the impact on the economy is less likely to be as drastic as the early innings of 2020. The world has begun to adapt to the new normal, and with that, many now know what to expect and how to go about the daily routine while taking appropriate precautions to minimize spread.

Recently, analysts over at Goldman Sachs noted that Omicron's effect on the economy is expected to be small due to the world's ability to adapt, with new innovations like **Pfizer** oral treatments and boosters on the way.

That said, investors shouldn't feel the need to catch the fastest falling knives that are the aggressive reopening plays (think **Air Canada** or any other airline that could be hurt by international travel bans). Instead, resilient stocks with reopening upside like **TD Bank** (TSX:TD)(NYSE:TD) may be preferred.

TD Bank

TD Bank is back, with dividend hikes and a new share-repurchase program in place. TD hiked its payout by a modest but still respectable 13% while announcing a plan to buy back up to 50 million shares. That's not bad for a bank that's stumbled post-earnings amid the pandemic. TD's latest quarter saw an incredibly strong profit result, making up for the past quarters that fell short of peers.

With enough liquidity to make a big acquisition likely in the U.S. and a means to improve upon profitability once rates rise, TD ought to trade at a premium to most of its Big Six peers. At just 12.34 times trailing earnings, though, TD is in the middle of the pack, despite its wonderful management and ability to grow at a potentially above-average rate going into the mid-2020s.

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