COVID Cases Continue to Increase: 2 Stocks to Avoid and 1 to Buy

Description

On the last day of 2021, Ontario set a new record with 16,713 new cases of COVID. It didn't take long to break that record, as the province recorded 18,445 new cases on January 1. On Sunday, the province recorded more than 16,000 new cases, indicating that the pandemic may be far from over. With that in mind, what should investors do?

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Stock to avoid: Air Canada

In mid-December, the Canadian government decided to lift its travel ban, which previously restricted travelers from 10 specific countries from entering the country. This is good news for airline companies like **Air Canada** (TSX:AC). However, I would still be very hesitant to invest in the company today. Many professional conferences, sporting events, and other large gatherings are being cancelled across the country. This could have a major consequence on the demand for flights in Canada.

In Q3 2021, Air Canada reported an operating loss of $364 million. That was a very promising result, as the company's losses totaled $785 million in Q3 2020. However, what isn't promising is that those losses were recorded at a time when COVID cases were relatively low across the country. As the number of active cases continue to increase, so does my hesitance to enter a position in this company.

Stock to avoid: Cineplex

Looking at the big picture, **Cineplex** (TSX:CGX) performed much better in Q3 2021 than it did in the previous quarter. The company reported a monthly net cash burn of only $2.9 million in Q3 2021 compared to $24 million in Q2 2021. However, like Air Canada, I believe that the increasing number of COVID cases will be very detrimental to the progress Cineplex has made in terms of recovery.

Over the past year, investors could have done very well holding Cineplex stock if they managed to get in on the dip in October 2020. In fact, even over the past year, Cineplex stock has gained about 56%. However, the stock still sits nearly 60% lower than where it was at the start of the pandemic. I don't see any reason for Cineplex stock to return to those levels any time soon, given the massive increase in

COVID cases and a general shift towards streaming services.

Stock to buy: Shopify

One stock that could do well under a prolonged pandemic is **Shopify** (TSX:SHOP)(NYSE:SHOP). The company provides merchants of all sizes with a platform and all the tools necessary to operate online stores. It’s estimated that more than 1.1 million merchants rely on Shopify to power their online stores. This year, Shopify has done a good job of acquiring new enterprise customers (e.g., **Netflix**) and expanding its partnership network (e.g., **Spotify**).

Customers now visit Shopify stores more often than **Amazon**’s marketplace. In Q2 2021, an average of 1.16 billion monthly unique users visited a Shopify store, compared to 1.10 billion monthly unique visitors on Amazon. The company also managed to record US$6.3 billion in sales over the Black Friday-Cyber Monday weekend, breaking the record it had set in 2020. The longer this pandemic goes on, the more accustomed consumers become to making purchases online. Shopify is poised for success.

CATEGORY

1. Coronavirus
2. Investing

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TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

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