



## Better Buy: Air Canada or Shopify Stock?

### Description

**Air Canada** ([TSX:AC](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) are two of the most standout rebound bets in the Canadian stock market these days. Undoubtedly, both have suffered massive falls from glory for different reasons.

Although the rewards potential is high, so too are the potential risks. In this piece, we'll have just a closer look at Air Canada stock and Shopify stock to see which risky recovery play is more worthwhile.

Without further ado, let's get into it!

### Air Canada stock

It's looking less and less likely that Air Canada stock will enjoy a bounce back towards that elusive \$50-per-share level. We're seeing some level of normalcy these days. However, the pandemic is still not yet over, with China on lockdown and a new variant (BA.2) spreading rapidly across the United States. While the new variant may not be a source of yet another wave of 2020-style lockdowns, it is alarming, to say the least for investors in aggressive reopening plays like the airlines.

To add insult to injury, Air Canada is more of a global-focused airline, making it less likely to recover overnight. Indeed, management have done the best they can, given the terrible hand they've been dealt over these past two years. Still, I find it hard to see Air Canada stock back at new highs until we head into some sort of endemic.

At this rate, an endemic seems out of sight. Further, it's unclear as to when the pandemic will end. With no such timeline, Air Canada stock remains a risky bet. The easiest money, I believe, has already been made. Further, seasonal ups and downs may be more pronounced depending on how bad the COVID crisis is at any given time. Add the risk of a 2023 recession (the U.S. yield curve inverted last week) into the equation, and Air Canada stock is shaping up to be a turbulent ride that will not be for everyone but the most courageous of investor.

Personally, I'd sit it out on the sidelines. The road ahead doesn't look too bright. With jet fuel prices

elevated and a slower economic growth that could wane further on the travel recovery, AC stock is in a no-fly zone in my books!

## Shopify stock

Shopify is not a cheap stock, even after its 60% fall from peak to trough. Still, the \$2,000-per-share level seems within reach. Why? I believe that the e-commerce darling is one of the most innovative companies, not only in Canada but the world. Its growth story may very well deserve a free pass, given its strong secular tailwinds and brilliant managers led by Tobi Lütke, one of the brightest CEOs in Canada.

With a big chunk of the rate-induced damage already put in, I wouldn't be surprised to see SHOP stock at a new high by year-end, assuming the Fed doesn't get much more hawkish. Between the [economy](#) and inflation, I think central banks will have to focus on stomping out inflation at the expense of growth and corporate earnings. It's unfortunate for Shopify and high-multiple growth stocks, as more rate hikes could mean another leg lower. Still, I think Shopify will rise, and those who average down may be best positioned to weather the storm.

For now, around eight rate hikes are to be expected moving forward. Could there be nine or 10 if those big 50-bps rate hikes don't cool this inflation? That's a big risk for the growth trade as we know it. I'd argue that the Fed will be as aggressive as they can be to fan the overheated inflation and put a stop to price increases.

## Bottom line

Between Shopify and Air Canada, I'd have to go with Shopify stock. It can [innovate](#) and grow its way out of trouble, whereas Air Canada needs the macro headwinds to dissipate to have its runway clear for takeoff.

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