



## 2 Airline Stocks That Could Be Clear for Lift Off

### Description

Airline stocks have been in a world of pain ever since the COVID-19 outbreak sent stocks in a rapid tailspin back in February and March of 2020. The recovery has not been quick as traders would have thought.

Certain travel stocks are now back in retreat mode, as a new slate of risks (think macro headwinds accompanying a potential 2023 recession) are added to the list. Undoubtedly, the Fed made it clear that higher rates could stay like this for a while. The battle against inflation is not yet over and could entail further hikes, albeit at a likely slower pace going into the midpoint of 2023.

With a new variant (XBB) of Omicron that could make for a tough start, questions linger as to where the airlines are headed next. Hopes of a recovery could be shot down yet again, with various airline plays looking to make new lows.

Eventually, the headwinds will go away. But until then, [investors](#) should be cautious and insist on a wide margin of safety with any at-risk investment.

In this piece, we'll have a look at two Canadian airline plays that are down and out. While valuations are depressed, the names remain difficult to evaluate, given the unknowns that lie ahead. Regardless, I think investors in search of deeper value should give the names more attention as 2023 continues to weigh on their share prices.

### Air Canada

**Air Canada** ([TSX:AC](#)) is likely the first air travel stock that comes to mind. The major carrier has been under non-stop pressure for nearly three years now. The stock is still in the pit that the 2020 market crash sent it in. Though there was a partial rebound, it's since been cut short, with AC stock now at risk of falling back into the teens.

Undoubtedly, there's been a lot of progress since the early days of the pandemic. Air Canada trimmed capacity and did a relatively decent job of playing the tough hand it was dealt. The nature of airlines makes it tough to operate without bleeding cash. Further, Air Canada's international focus did it no

favours, given localized outbreaks of COVID-19, which brought forth travel restrictions.

With the new variant of COVID out there, it's not too far-fetched to think that restrictions could be back on the table. In any case, AC has already been through so much. If demand takes more steps back, as discretionary income takes a tumble, AC could find itself back at 2020 lows. In any case, I'd give the firm the benefit of the doubt, as investors have a lot to look forward to in the post-recession world.

For now, it's nothing but pain for the \$7.2 billion Canadian airline.

## Cargojet

**Cargojet** ([TSX:CJT](#)) is an overnight shipper that's crumbled as e-commerce shipments have ground to a slowdown. Undoubtedly, package orders could sink further as the recession sets in. Unlike Air Canada, though, I think Cargojet will be quicker to find its footing once e-commerce demand comes back online.

Recent stock action already suggests a considerable shipping drought is on the horizon. The stock has already suffered a 50% plunge.

At 7.1 times trailing price to earnings, I view CJT as a fallen secular [growth](#) play that will rise again, likely in the back half of 2023, when the worst recession fears are factored into broader stock valuations.

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