2 Stocks I Would Keep Avoiding

Description

It's always fascinating to see which companies are among the leaders within financial discussions. Throughout the entire pandemic, it appears that rebound stocks have been very popular among Canadian retail investors. I do not think that investing in a company in the hopes of a rebound is a solid investment thesis. In this article, I will discuss two companies I would keep avoiding.

This stock will not be flying high any time soon

Travel stocks are among the most anticipated by investors to bounce back after the pandemic is eradicated. However, I do not see that happening any time soon. The longer this pandemic affects the economy, the worse off travel companies will be. For that reason, I would remain very cautious about entering a position in **Air Canada** (TSX:AC).

Because of the pandemic, many companies needed to lay off employees. Corporate giants like Air Canada were not any different in this regard. In May, 20,000 workers were laid off by the company in an effort to slow down the company's burn rate.

Air Canada has also reported very troubling financial results this year. In its Q2 earnings report, in July, the company reported a decline of 89% in total revenue as a result of the pandemic and government-imposed travel restrictions. In terms of passengers, Air Canada reported a year over year decline of 96%. Finally, the company reported an operating loss of $1.555 billion. Considering Air Canada also reported a cash position of $8.6 billion, that burn rate is not very promising.

Looking at its stock performance, Air Canada stock is down 70% year to date as of this writing. Since hitting its bottom in March, Air Canada stock has increased 23%. However, given the total number of COVID-19 cases are rapidly rising around the world, the travel sector could likely get hit again. The company's Q3 earnings report should reveal more light into the company's future outlook.

Watch a different company

The second company I would *not* start a position with is **Cineplex** (TSX:CGX). This year, I have been very bearish towards this company for a number of reasons. The biggest reason for my negative outlook on this company is the fact that many people will not be looking forward to be stuck in a room with a large number of strangers who may not be prudent in keeping with proper COVID protocols.

This year has been one to forget for Cineplex. Earlier this year, Cineworld announced that it would be scrapping its $2.8 billion takeover of the company. In its Q2 report, in June, Cineplex announced a year over year decline of 95% in its total revenues. In terms of attendees, the company reported a decline of nearly 100%. This can be attributed to the nationwide shutdowns imposed during the peak of the pandemic. In terms of net losses, the company reported nearly $100 million in losses.

Year to date, Cineplex stock is down 84% with no signs of an increase, at the time of this writing. Short-traders may have enjoyed holding this stock over the summer, as its value increased over 80% from March to June. However, since that point, Cineplex stock has decreased another 67%. As COVID cases continue to increase, and consumers continue to move towards streaming services, I remain very bearish on this company.

Foolish takeaway

Two of the most popular stocks among Canadian retail investors are not companies that I would invest in. Both Air Canada and Cineplex have reported incredible losses this year. With COVID-19 cases continuing to increase, I am very skeptical about the future outlook of these two companies.

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