Buy This 1 Great Canadian Stock in August

Description

Investors not *au fait* with aviation stocks may still be overlooking a defensive play packed with upside potential. Of course, not everybody is walking past **Cargojet** (TSX:CJT) stock. This name is up 110% since the same time last year, after all. But why is this stock down this week, and what should investors expect as sentiment swings further towards risk?

Expect vaccine rallies to cause extra turbulence

All eyes are on the Russian coronavirus vaccine this week. Dubbed *Sputnik V*, the move echoes Russia's 1957 satellite breakthrough. From the execution to the naming, the high-speed operation illustrates a need to be first past the post.

But when officials are relying on an already skeptical public to trust a new vaccine, a botched rollout could prove worse than just a waste of time.

Sputnik V is due to be launched – pardon the pun – this October. Meanwhile, clinical trials are underway for a raft of alternative vaccines internationally. Investors can expect stocks to rally on significant headlines, as this is very much an event-driven space.

However, Canadian shareholders shouldn't hold their breath. A thoroughly tested and broadly successful vaccine might not even hit the market this year.

Until then, momentum investors might expect contrarian plays such as **Air Canada** (TSX:AC) to continue adding upside. The chewed-up commercial airline saw its stock up 7.4% this week amid an overhauled Aeroplan loyalty program and a general return of risk investing.

A tale of two aviation stocks

However, though Cargojet was sitting on its own impressive five-day gains of 12% at the start of the week, this had melted into a 4.3% dip toward the end of the week. Despite strong second-quarter results, investors seeing a defensive play in Cargojet may push it lower still if sentiment continues to swing away from fear and towards greed.

This share price dichotomy highlights just how different these two aerospace plays really are. On the one hand, Air Canada is a speculative play rich with "comeback charisma." On the other, Cargojet is an integral part of the national supply chain infrastructure.

The former stock is a contrarian pick, popular with high-risk investors, while the latter – for all its mid-pandemic upside – is basically defensive in nature.

Paying a 0.5% dividend yield, Cargojet isn't an obvious stock to buy for the passive income. However, this minimal yield will accumulate over the years. Given its projected 20% payout ratio in three years, there could be lots of room in the future for Cargojet to hike its dividend. This makes Cargojet not only a low-risk, high-reward pick for capital gains investors, but also a moderate play for income.

Cargojet is looking at 52% annual earnings growth over the next couple of years. Current estimates call for 820% potential total returns by the middle of the decade. An essential element of a post-pandemic recovery, Cargojet resembles a catapult that is being pulled back and primed for attack.

Investors could see their shares rocket in price as a recovery propels this stock deep into multibagger territory.

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