



2 Top Canadian Stocks to Buy Before Air Canada (TSX:AC)

Description

It's been a whirlwind year for Air Canada stock, to say the least.

Shares of the Canadian airline dropped 70% during the COVID-19 market crash early last year. Since bottoming out during the last week of March, though, Air Canada stock has been on an incredible bull run that's now delivered growth of well over 100%.

Even with a run like that and optimism surrounding the re-opening of the country, I'm not ready to touch Air Canada stock just yet. I'm still very bearish about the long-term impact that COVID-19 could have on the air travel industry.

I certainly do see the value play with Air Canada stock. For patient investors, this could turn out to be a multi-bagger pick in the long term. But for other investors, like me, who have no interest in investing in travel stocks, here are two other top [undervalued stocks](#) to add to your watch list.

Bank of Montreal

If you're looking for a [top value play](#), the Canadian banks are a great place to start. Like the airline industry, the banks have not fared particularly well through the COVID-19 pandemic.

The reason why I'm bullish long term on the banks is because I don't believe that the industry has been impacted long term by the pandemic. A major reason why banks are suffering right now is due to the low-interest-rate environment. While that is largely due to the pandemic, it should only have a short-lived impact on the banks.

Each of the Big Five is trading at an attractive valuation today, but I've got **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) at the top of my watch list.

At a forward price-to-earnings (P/E) ratio of about 10, BMO is on the cheaper side of the Canadian banks. There's only a slim difference between each of the Big Five when it comes to valuation, but if you're looking to pick a bank strictly on price, you can't go wrong BMO.

What puts BMO at the top of my watch list is not just valuation, though. It's the dividend yield. At today's stock price, the Montreal-headquartered bank's annual dividend of \$4.24 per share is good enough for a yield of an impressive 3.8%.

And if a nearly 4% yield isn't good enough, BMO's dividend streak should help put this dividend stock on your watch list. The \$70 billion bank has been paying a dividend to shareholders for more than 190 years.

Sun Life Financial

Sun Life Financial ([TSX:SLF](#))([NYSE:SLF](#)) might not be a major bank, but it sure crashed hard last year during the pandemic. The insurance provider saw its share price drop almost 50% in a span of just over one month.

I have Sun Life on my watch list for similar reasons to BMO. It's [reasonably priced](#) and owns a top dividend. But, most importantly, I don't see the pandemic having a major long-term impact on the insurance industry.

Insurance stocks may not be the most exciting companies to invest in, but they sure are reliable investments. No matter the economic condition, people and businesses across the globe will need insurance. It's one industry that I'd bank on not going anywhere over the next several decades.

At today's stock price, Sun Life is actually cheaper than most of the major Canadian banks. The \$38 billion company is currently trading at a forward P/E ratio below 10.

Lastly, this value stock also owns a top dividend yield. Canada's second-largest insurance provider doesn't have a dividend streak to match BMO, but a 3.4% yield is certainly respectable.

Foolish bottom line

When Air Canada stock dropped 70% in barely over one month last year, I was tempted to pick up shares. But the longer the pandemic goes on, the less interested I become in owning shares of an airline.

An investment made today in Air Canada stock could prove to be a long-term winner, but if you're looking for a top value stock, I think there are much better long-term alternatives on the **TSX** right now.

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