



## Why the Air Canada Stock Price Fell 8.6% in January

### Description

It is an important exercise to periodically review the performance of our stock holdings as well as those stocks that are on our watch lists. This review should happen at least once a year, but also when big stock price movements are noticed.

**Air Canada** ([TSX:AC](#)) came under some pressure in January, after a fantastic five-year run. Is this the beginning of a more meaningful downside for the stock in 2020? Let's review.

### Coronavirus: Air Canada stock price falls on bad news

The world is currently on high alert due to the [coronavirus scare](#), leaving some travelers nervous to travel and/or simply putting off travel plans. In response to this threat, Air Canada has suspended all direct flights to China and is not allowing anyone with symptoms onto evacuation flights from China.

All of this certainly puts a damper on air travel and has certainly put a damper on the Air Canada stock price in January.

### Air Canada stock predictions 2020

The world is getting smaller. Air Canada has benefited from increases in air travel in recent years and this, coupled with the company's focus on efficiency, cost cutting, cash flow maximization, and the bottom line, has resulted in Air Canada being a top stock.

However, the world is also growing more and more conscious of the health of the environment and air travel's negative effects on it. At some point, maybe even in 2020, this could put a damper on air travel, as more businesses and individuals attempt to lessen their carbon footprints.

Furthermore, the world is heavily indebted – individuals, corporations, and countries alike. Canada's corporate debt continues to climb along with consumer debt, with many consumers on the verge of insolvency. This is just the tip of the iceberg; some analysts peg the global debt-load at 230% of global

GDP and growing. It's possible 2020 will be the year that we'll see a reining in of spending, which could have an effect on demand for air travel.

In summary, the risks to 2020 are real. Air Canada stock has rallied 43.5% in the last year, and it has certainly been a top stock for investor portfolios. Today, given the risks that the company is facing, my Air Canada stock prediction for 2020 is not favourable. I think this cyclical stock is due for a breather and for more downside.

## Foolish final thoughts

In closing, I would like to remind foolish investors of our belief in [holding great businesses for the long term](#). While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth. Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

In the case of Air Canada stock, I believe that the downside that we have seen in January is a sign of things to come. I believe this as a reflection of the risks that Air Canada is facing; risks that continue to mount.

### CATEGORY

1. Investing

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1. TSX:AC (Air Canada)

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1. Investing

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