



Air Canada (TSX:AC): A Buy at \$17?

Description

Air Canada ([TSX:AC](#))(TSX:AC.B) stock has been in focus ever since the [coronavirus](#) sent the airlines into a tailspin.

Air Canada stock's tailspin may not be over yet

Back in January, I'd urged investors to jump out of the stock while it was near its all-time highs, citing valuation concerns and the risk of the coronavirus, which I didn't think was fully factored into the share price at the time. As it turned out, those who followed my recommendation saved themselves from a world of pain, as Air Canada stock proceeded to crash over 75% from peak to trough, as the negative headlines started rolling in.

Even after Air Canada stock got slashed in half twice, investors shouldn't expect the name not to get halved again, especially given the unprecedented revenue decline that's to be expected for the coming quarter and the fact that the stock isn't even at a three-year low yet!

While most other stocks have bounced back (most stocks have recovered half the ground lost in the coronavirus crash, with some fully recovering), the most affected industries, including the airlines, have barely budged compared to the scale of their unprecedented declines from the top.

To make matters worse, Warren Buffett's recent airline share sales sent jitters down the spines of those investors who blindly followed the man into airline stocks.

Don't jump into the deep end with Air Canada stock: Start by dipping a toe

The charts of the airline stocks seem to imply that a bottom has formed and that it's now safe to get back aboard the beaten-up airline stocks given the economy may be on the cusp of re-opening. However, Foolish investors should maintain cautious optimism and dollar-cost-average to build a

position in the airlines. It's easy to let greed take control of your investment decisions when everybody is trying to chase that elusive bottom, blowing every tiny news event out of proportion.

I see the stock as tremendously undervalued at 1.1 times book, but beginner investors need to brace for turbulence, as the stock has suddenly become a trader's playground. Even though you have the intention of holding for years or decades at a time, you should resist the urge to "chase" after +10% runs in airline stocks after any tiny bits of positive news.

Foolish takeaway

The magnitude of [volatility](#) in Air Canada stock is off the charts, and you should expect more of the same over the coming weeks and months, as we learn more about the damage done to the industry by the insidious coronavirus. As such, patient investors who nibble at weakness will be the ones that stand to walk away from this ordeal with the best cost basis while taking emotions out of the equation.

It can't hurt to take a bit of profit off the table if you managed to be rewarded with 65% gains over just a few weeks by being fortunate enough to catch the bottom. Even if you have no intention of trading Air Canada, you should seek to trim after such trader-driven bounces, because odds are they're not sustainable. Given the wild swings, your odds of using the profits to buy even more shares at lower levels are increased with a name like Air Canada.

Do have a long-term mindset, but don't become greedy and start chasing after massive moves, because a good trade can suddenly turn into a money loser at the drop of a hat.

Stay hungry. Stay Foolish.

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