



Air Canada (TSX:AC) Is up an Insane 60% Since March

Description

Air Canada's ([TSX:AC](#)) growth was even more tempting a few days ago when the stock pushed past \$23. At that particular time, Air Canada's growth was easily over 92% from its all-time low in March. If someone had bought Air Canada stock when it hit rock bottom, and then sold it when it was trading at its highest value in the past couple of months, they would have made \$9,250 on their \$10,000 investment in about 70 days.

Does that mean Air Canada is ripe for months-long day-trading type investments? Even if it is, that's not something I would recommend. But, as I've stated numerous times before, if you are willing to hold Air Canada for a few years, you may benefit from its low valuation.

A plea to restart travel

Air Canada's CEO urged the government to ease travel restrictions and give the airline industry some room to breathe. This request was in conjunction with a letter sent to the prime minister from the Canadian travel and tourism industry. AC's CEO is requesting that the government lets them do a "reasonable amount of business."

Canada, as well as neighbors across the border, are thinking about continuing travel restrictions all the way up to mid-July. In the U.S., the situation might worsen further if the country sees another major spike in COVID-19 cases and deaths. If that happens, the fear might keep Canada's air travel from restoring to normal levels, too, at least for a few more weeks.

But a few more weeks of half-capacity flights and low demand might be devastating for Air Canada. The company has done an impressive job of staying afloat, raising cash, and cutting costs (even at the price of laying off half the staff) in these troubled times. But another slump in demand, especially if it lasts for a few weeks or months, may truly damage Air Canada's ability to recover.

Is there any upside?

One of Air Canada's primary edges is the state of low competition in Canadian air. The state is likely to tilt even more in Air Canada's favour once the **Transat AT** acquisition goes through (which has been

pushed to the fourth quarter now). Also, as the fluctuations since March has proved, you don't need the stock to go too high to make some money with Air Canada.

Currently, the stock is trading at \$19.4 per share. If you invest in it now, and the stock hits \$30 by the year-end, you will see capital growth of over 50% in about half a year. But will it hit \$30 in a few months? That's a matter of speculation. With the uncertainty surrounding air travel and a [second wave](#) of the pandemic, investors might want to be cautious about Air Canada.

Foolish takeaway

The stock may not grow too much, too fast anytime soon. But it also might not fall below \$16 per share in the near future. So, if you are interested in loading up on Air Canada, you may want to [stay your](#) hand a bit and see what future fluctuations have in store.

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