



Why Air Canada Stock Jumped 5% on Monday

Description

On June 29, the Canadian stocks opened on a positive note after ending the last week in negative territory — with 1.8% losses. This morning, the **S&P/TSX Composite Index** was up by 1.3%, as the energy and telecom services companies were leading the rally.

Despite new COVID-19 cases in North America, a sharp increase in the U.S. pending home sales data could be the key factor for today's stock market rally. According to the data released by the National Association of Realtors, signed contracts on existing homes surprisingly rose by 44.3% in May — after declining in the previous couple of months. In general, pending home sales data indirectly gives an idea about home buyers' confidence in the economy.

Now, let's take a closer look at the latest news related to Canada's flag carrier that drove a rally in its stock today.

Why Air Canada stock rose on June 29

This morning **Air Canada** ([TSX:AC](#)) stock jumped up by over 5% after the company [said](#) its recently introduced “flexible re-booking options to economy class customers on flights” are near capacity. For these customers, the airline has introduced touchless processes at airports apart from “enhanced inflight service and amenities.”

In its press release, the largest Canadian airline highlighted that it's set to resume its meal services late in July. While the airline will be serving chef-designed meals to its business class passengers in North America, economy class passengers in international flights can avail enhanced meal service.

Also, Air Canada expects its Maple Leaf Lounges to start reopening later this summer.

Should you buy Air Canada stock?

In my [recent article on Air Canada](#) on June 22, I'd mentioned that it's senseless to believe that people

will not have reasons to travel after the pandemic subsides. The airline's press release today reaffirms my confidence in the airline industry, as the air travel demand seems to be recovering.

Based on simple human psychology — as more and more regions lift the pandemic-related restrictions — more people would want to travel after spending so many months caged in their homes.

Know your risks

As of June 26, Air Canada stock has lost 65.6% on a year-to-date basis as compared to just an 11% drop in the TSX benchmark. Meanwhile, companies **Chorus Aviation** and **Bombardier** have also tanked by 63.8% and 77.7%, respectively.

If a recent increase in the U.S. COVID-19 cases forces states to reimpose or extend restriction, it may delay the recovery in air travel demand in North America. However, some airlines with pro-active management (like Air Canada) are also focusing on expanding their freight division business and cargo-only flights. This move is likely to help them better prepare for future uncertainties.

These are some of the reasons why you may want to buy Air Canada's stock right now — especially when you're getting it cheap right now, in my opinion. Even if you find your Air Canada investment journey full of turbulence initially, a gradual recovery in air travel demand and the airline's increased focus on cargo services could help its stock soar in the medium term.

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