



Air Canada (TSX:AC) Just Soared 14% in a Day: Should You Buy Now?

Description

Air Canada ([TSX:AC](#)) stock just soared 14% in a single trading session on Wednesday following a broader relief rally in some of the stocks most affected by the COVID-19 crisis. The rally in “risk-on” names like the airline stocks was thanks in part to promising news relating to **Moderna’s** mRNA-1273 coronavirus vaccine. The vaccine’s phase one clinical trials revealed that 100% of its evaluated participants ended up producing coronavirus antibodies.

Moderna gives lift to the names hardest hit by COVID-19

There’s no question that the recent news by Moderna is [promising](#). With the likelihood of more good news on vaccine development in the pipeline, count me as not surprised if some of the stocks at “ground zero” of the crisis start picking up traction, as they look to catch up to the risk-off names that have led the upward charge in this unprecedented relief rally off the depths of those late-March bottoms.

In many prior pieces, I’ve highlighted that Air Canada was a speculative bet but one that was worth making, especially by [young investors](#) with long-term horizons who were optimistic about the timely arrival of an effective coronavirus vaccine. Air Canada stock has been hovering in limbo while the broader markets posted a V-shaped rally.

Could vaccine news be enough to propel Air Canada stock multitudes higher?

Although it’s difficult to time the advent of an effective vaccine that’ll be readily available for broad distribution, I think it makes sense to buy Air Canada stock now if you’re planning on placing a contrarian bet, rather than attempting to time the perfect entry into a bottom in the stock. Why? A vaccine breakthrough can happen at any time. And as we witnessed on Wednesday, all it will take it promising news on a vaccine still in clinical trials to move the needle in a name like Air Canada.

It's hard to value an airline like Air Canada without visibility into when a vaccine is going to arrive. Given many vaccine developers are hard at work to get an effective vaccine out there, I'd say it's foolish (that's a lower-case *f*) to bet against the advent of a vaccine by shorting Air Canada stock. Moreover, I also find it increasingly likely that more good news on progress will start sending shares of companies like Air Canada higher, as optimism that a vaccine will land sooner rather than later starts to increase.

Sure, there will be many vaccine flops. But for many flops, there will be promising developments that'll come flowing in that could fuel a rally in the COVID-19-impacted names that will be playing catch-up to the broader markets. So, if you're looking for a catch-up trade, Air Canada stock is looking like a compelling bet, even after its 14% single-day pop.

Foolish takeaway on Air Canada stock

I've been bullish on Air Canada as one of my favourite COVID-19 "risk-on" bets, because if a vaccine does land within the next year, I think the air travel industry could rebound a lot quicker than most expect, as pent-up demand for travel likely surge once it's finally safe to retake the skies.

In the meantime, contrarians looking to play the rebound of a highly liquid airline like Air Canada need to be able to handle the turbulence, which could last for many more months, if not years. If you believe an effective vaccine will land over the next year, Air Canada stock looks nothing short of undervalued beyond proportion here, even though some may view it as a big, fat zero, given the unprecedented magnitude of pandemic headwinds facing the name.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date

2025/08/03

Date Created

2020/07/16

Author

joefrenette

default watermark

default watermark