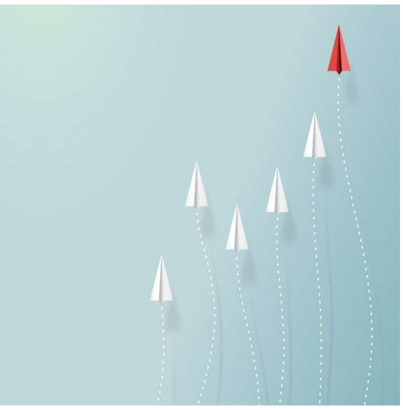

Air Canada (TSX:AC) Stock Can Triple Your Money

Description

Air Canada (TSX:AC) stock is a fitting example of a high-risk, high-reward investment. In yesterday's trading, the stock appreciated more than 13%. That's nearly two times the *annualized* average market returns of 7% in a single day! A related stock, **Chorus Aviation**, also saw a similar uptick.

It seems the big moves were attributable to expected positive news coming out soon on a potential COVID-19 vaccine. More than 100 vaccines are being developed and tested globally to stop the pandemic. With so many experts working on a vaccine around the clock, there's hope that an effective one will arrive sooner than later.

While the big move up is speculation on short-term news, investors should be excited about the longer-term recovery of the stock. Specifically, Air Canada stock has the potential to triple investors' money.

Who will survive?

Air Canada has survived through troubled times before — 9/11, SARS, and the 2007/08 financial crisis, for example. However, the COVID-19 pandemic is in a league of its own.

Three Latin American airlines have already filed for bankruptcy. Many others in the world will also go bankrupt if they don't get help, including American airlines.

Thankfully, Air Canada was in a better position than many of its global peers going into the COVID-19 period. As of the end of March, it still had $6.5 billion of liquidity, which was down from $7 billion a year ago.

Understand the risks

During the last crisis, Air Canada stock fell more than 90% from peak to trough — a process that took almost 1.5 years.

Then it took another six years before the investing community was convinced that the airline company was truly on a path to recovery.

After that, it took two more years for the stock to return to its previous peak. If you've been counting, the whole very volatile process took about 10 years.

However, if you caught the wave midway through, you still could have tripled your money from mid-2015 to mid-2019, generating returns of nearly 32% per year!

In any case, this method of investing in the cyclical stock at a cyclical low requires high risk tolerance and the utmost patience.

Quick profits could work, too

Some investors may be aiming to make rapid profits like the +13% pop that the airline stock just experienced due to good news. They'd need to buy the stock back on meaningful dips when bad news is released. And the cycle keeps going like that.

This is a riskier strategy, but it could work if you consistently execute it and stick to your quick trading plan on the stock. However, you must believe that Air Canada will survive the turmoil. Otherwise, you wouldn't even invest in the stock in the first place.

The Foolish takeaway

In May, the company CEO Calin Rovinescu warned that it could take *at least* three years for Air Canada to return to the 2019 levels of revenue and capacity. If this materializes, the stock could trade at $50 again, which would represent 2.7 times your money from current levels.

Airline stocks have delivered some of the best returns on the stock market. Accumulating shares of airline stocks like Air Canada that could survive can allow you to make tonnes of money over the next five to 10 years.

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