



Air Canada (TSX:AC) Stock's Rally Could Be Epic

Description

Air Canada ([TSX:AC](#)) and other airline stocks may not be Warren Buffett's cup of tea amid this pandemic. But that doesn't mean it can't be yours, especially if you're a young investor who has a better [understanding](#) of the industry and a greater tolerance for the high risks (and volatility) involved with an investment at these depths.

I wouldn't write off Air Canada or any of its air travel peers south of the border. While you're probably well aware of the risks involved with betting on airline stocks in a pandemic (there's a chance that you could lose your shirt!), the real question you should be asking yourself is if you're strong enough to hold onto shares once the next round of turbulence hits.

You see, airline stocks could skyrocket on the arrival of an effective COVID-19 vaccine. Many health experts see a vaccine arriving at some point next year. So, if you're going to make money [as an investor](#) off an airline stock such as Air Canada, you need the stomach to deal with potentially another year (or more) of off-the-charts volatility.

How to play Air Canada stock as an investor

While you could make big money by trading Air Canada, I think that such a short-term-focused mindset will lead most people towards potentially steep losses. Sure, you could buy the stock with the intention of ditching it after the next good news story for the airlines. But I think a majority of the upside will be taken by strong-stomached investors who are willing to hang on for the next few years.

As long as the coronavirus is still causing outbreaks across a wide range of geographies, the airlines will be stuck in a rut, and quarterly losses could send Air Canada stock and its peers tanking by default, perhaps en route to default.

As I've noted in prior pieces, any significant rallies are likely to be unsustainable until there's a vaccine that can eliminate the novel coronavirus. Moreover, I also highlighted that any technical bottom would be unlikely to hold without a constant stream of good news relating to the development of a vaccine to keep shares afloat.

If you're willing to watch your Air Canada investment fall by double-digit percentage points, potentially en route to the single-digits, only then do you have the pain tolerance to improve your chances of making big money in the event of a vaccine-driven correction to the upside.

Once that breakthrough vaccine does arrive, though, don't expect to have a chance to jump into Air Canada stock, though, because by then, shares would have already had a chance to take-off, and you'd likely have to pay a price that's multitudes higher than \$15 and change, where the stock is at currently.

Foolish takeaway

In short, the occurrence of a single binary event (the advent of a vaccine) could spark an airline stock rebound that could be as sharp and unprecedented as the crash they suffered back in February and March. So, if you want a shot at a long-term gain, you'll have to be willing to take the short-term pain over the next year and beyond.

Fortunately, Air Canada, I believe, has bought itself a tonne of time to wait for a vaccine. The firm is continuing to reduce its cash burn rate, and with several liquidity raises, I wouldn't at all be surprised if Air Canada makes it out of this pandemic alive under its own power.

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