



Air Canada (TSX:AC) Stock May Fall Below \$10 Before It Hits \$50

Description

Air Canada ([TSX:AC](#)) has and will continue to be a [tough stock](#) for investors to own. Contrarians have had to fasten their seatbelts to deal with the excessive amounts of volatility in a name that's likely to remain turbulent until the advent of an effective coronavirus vaccine.

Although health experts are bullish that a vaccine will land at some point over the next year, it's tough to gauge the vaccine timeline given the unpredictable nature of biology. And until an effective vaccine is approved, Air Canada and its airline peers are at risk of nosediving further, as bad COVID-related news flows in while airline investors begin losing their patience.

Could Air Canada plunge to the single-digits before the industry horizon improves?

It's certainly possible. That's not to say that young risk-taking investors should steer clear of the name, however, as there could be a multitude of [upside](#) once that one exogenous event (effective vaccine approval) happens.

If you've got the stomach to put up with the unfathomably high degree of COVID-19 beta for many more months and see yourself buying more shares on further weakness, only then do you have the kind of temperament to make money in a nosediving name like Air Canada as it does everything in its power to avert a crash landing.

Blocking middle seat may become the *new norm* for airlines amid pandemic

More recently, select airlines, including Air Canada, have fallen under the heat of the media as some passengers have come forward reporting a lack of social distancing practices aboard select flights. While Air Canada notes of its effective air filtration, a lack of in-flight social distancing is likely to deter many travellers from taking to the skies amid this pandemic to avoid contracting the deadly COVID-19.

Moreover, with **Delta Air Lines** recently announcing that it's going to block the middle seats through at least January 2021, I find it likely that most other airlines will be following suit. Either federal governments push for more significant safety measures, including in-flight physical distancing to curb the spread of the insidious coronavirus or flights that don't commit to blocking middle seats could stand to lose business to a competing airline that has made such a commitment.

Sure, a good filtration system and mandatory masks may help reduce the spread by some unquantifiable degree, but if you can have all that with the middle seat blocked off, the risk of contracting COVID-19 on a flight is reduced that much more.

Foolish takeaway

There's no question that a multi-month commitment to blocking off the middle seat will hurt the top and bottom line at a time when every dollar of cash flow is vital to an airline's survival. But safety comes first, and airlines that don't commit to blocking off the middle seat, I believe, could face added pressure through the duration of this pandemic.

Fortunately, Air Canada has ample liquidity in place, and cash burn rates are continuing on the downtrend, both of which bode well for the Canadian airline's survival despite the headwinds that are going to stick around until COVID-19 can be eliminated.

In the meantime, Air Canada stock could be at risk of testing its March lows, as the airline is pressured to bolster in-flight physical distancing measures.

So, if you're keen on Air Canada here, understand the risks and make sure you have the stomach to deal with the near-term pain for your shot at a longer-term gain.

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