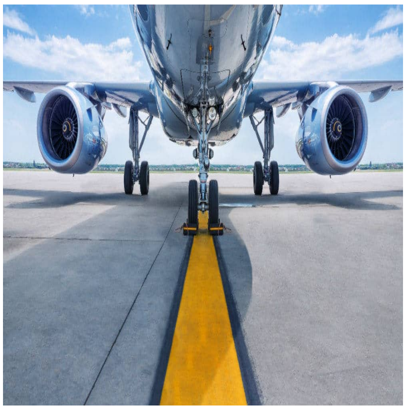

If You Invested $10,000 in Air Canada Stock in the Last Market Crash, This Is How Much You'd Have Today

Description

A stock can make the difference between turning a profit and incurring a loss. When the markets crashed in March, there were some amazing deals that investors could have scooped up. The markets have, for the most part, recovered since then. Even **Air Canada** (TSX:AC), which faces significant uncertainty ahead due to COVID-19, has seen its share price surge in the months since the crash.

You would've made a great profit buying the stock near or at its low in March.

Air Canada stock hit a 52-week low of $9.26 on March 18

If you were lucky enough to buy the stock when it dipped to its lowest point in March, you could have doubled your money. Buying it at around $12 to $13 would've been much more likely, as the stock closed in that range multiple times around that time. For argument's sake, let's split the difference and say you could've bought the stock at $12.50. A $10,000 investment would've been able to buy you 800 shares. If you were to sell the stock at $19 today, you'd collect $15,200 before commission costs. That's a return of well over 50% since the crash.

Even if you bought the stock at the end of March for a price of $15.75, you would own about 635 shares. That would net you a profit of more than $2,000 today.

The silver lining here is that any stock can be a profitable one at the right price. And often, when there's lot of negative news in the markets, investors tend to overreact. While it's impossible to know where the bottom is and be sure that a stock won't fall even further down, sometimes the risk is worth the potential return.

Is it too late to buy the stock today?

The big question investors are likely wondering right now is whether the stock could still rally further. Air Canada stock is still nowhere near where it was earlier in the year when it was at more than $50.

While it's not impossible for the stock to recover to those levels, I wouldn't bet on that happening anytime soon. Not while travel remains limited and COVID-19 is still not under control.

Air Canada stock could very well double, but it'll likely take years before it does. Expecting to earn another 50% return from where the stock is today could be a big ask this year, as that would put its share price around $29 — it hasn't closed at that level since early March.

Bottom line

If you're buying shares of Air Canada, you need to prepare for a long hold and a bumpy ride. There are still many risks here, and while I wouldn't expect the government to let the company go out of business given how important it is, simply surviving isn't going to get its share price up. A second wave of COVID-19 could threaten any potential recovery and result in an even longer wait time before the aviation industry gets back to where it was before the pandemic.

And that's why one thing investors of Air Canada are going to need right now is patience — a lot of it. Air Canada stock does have the potential to produce some good returns, but investors need to be cognizant of the risks.

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