



Air Canada (TSX:AC): This Good News Could Give Lift to the Stock!

Description

Air Canada (TSX:AC) stock has fallen under [turbulence](#) again, with shares yet again to sustain a rally past the \$20 mark. Today, shares are back to \$15 and change, touching down with a pretty strong level of technical support, as investors worry about a second wave of [COVID-19](#) outbreaks.

While I did note that airline stocks, including the highly liquid Air Canada, would struggle to sustain a rally out of the teens until there was further clarity on how (and when) the COVID pandemic would end, I think a recent development in rapid testing makes now a great time to go against the grain in AC stock before the herd has a chance to pile in.

Air Canada: There is hope for the ailing airlines

Just over a week ago, Health Canada gave the green light to the ID NOW rapid testing device that's reportedly capable of yielding test results in as little as 15 minutes. Such rapid-testing technologies could pave the way for "coronavirus passports" that could allow airlines to fill up their planes without running the risk of asymptomatic spread between passengers.

As you may know, blocking off the middle seat on select flights can make flights less economical for the ailing airlines, many of which may not make it out of this crisis alive under its own power. If rapid-testing point-of-care rapid-testing devices like those from **Abbott Laboratories** can be made widely available, the air travel stocks could take-off amid the pandemic, as airlines become more economical to operate in the "new normal."

In the past, I've described the airline stocks as a gamble on the timely advent of a safe and effective COVID vaccine. With promising testing technologies that could land early next year, I don't think airlines are such a binary bet any longer.

Abbott Labs has shipped around 11 million ID NOW test devices across the United States. The Canadian government reportedly announced its intent to purchase nearly eight million ID NOW tests. If the rapid-testing tech can drastically curb the spread of COVID-19, there's no doubt that the stocks most affected by COVID could begin to pick up meaningful traction over the next year.

With regulatory hurdles in place, the tests may not be available until for airlines until early next year. If all goes according to plan with the rapid tests, though, there are reasons to be bullish on Air Canada shares, which could easily double, as its top line receives much-needed relief following several quarters of steep losses.

Should you buy Air Canada on hopes that rapid tests will allow passengers to take to the skies again without contracting COVID-19?

With AC stock at \$15 and change, I'd say yes, provided that the rest of your portfolio isn't overexposed to COVID risks. There's no telling when the tests will be available for the airlines, nor if it will allow the airlines to return to a state of near-normalcy amid this pandemic.

Given that second-wave fears have pressured shares, I think rapid-testing technologies could give Air Canada ample lift in 2021. Moreover, investors will be likely warm up to the COVID-hit stocks, as there's likely to be more good vaccine developments coming out of the pipeline over the year ahead.

Foolish takeaway

With a decent liquidity position and falling cash burn rates, I'd say Air Canada has more than enough time to wait for relief, which could be on the way as early as Q1 2021. Despite the potential for positive developments, investors should be ready for more turbulence, as a second wave of COVID cases could bring forth another brutal quarter that could send shares to the low teens before the next sustained rally.

As promising as rapid tests are, one should not assume they're the magic pill for the ailing airlines that could find themselves fighting for their survival if a bear-case scenario unfolds.

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