



COVID-19 2nd Wave: Should You Stay Away From Air Canada (TSX:AC) Stock?

Description

At the end of August, it appeared that optimism had returned to the skies. **Air Canada** ([TSX:AC](#)) and WestJet had [introduced](#) COVID-19 testing at Canada's airports in order to push back on the government's mandatory 14-day quarantine restriction. The restriction has dampened demand for Air Canada and its peers in a brutal environment for the sector.

A rise in cases across Canada has inspired provinces to pursue a return to more restrictions, albeit on a more regional basis. This does not bode well for airlines in the near term.

Why the second wave of COVID-19 has soured prospects for Air Canada

Shares of Air Canada have dropped 9.7% month over month as of close on October 9. The stock has plummeted 66% in 2020. Increased cases have spurred a return to phase two restrictions in Toronto, Canada's most populous city. Fortunately, Ontario has reported two straight days of declines after a record high last week.

There is no telling how policymakers will drive us forward in the weeks and months ahead. Municipal, provincial, and federal leaders are acutely aware of the economic and financial devastation that was wrought by the first round of lockdowns. It will be difficult to demand more sacrifices from an ailing Canadian public as the holiday season gets underway.

Obviously, that season is traditionally a big one for Air Canada and other airlines. Companies are still working to carve out any concessions they can to boost business in the months ahead.

Is there still hope for airlines in 2020?

Air Canada has not given up hope on its drive to eliminate the 14-day quarantine. Last week, the company said that more than 99% of 15,000 voluntary COVID-19 tests taken by international

customers at the Toronto Pearson International Airport had tested negative. Of those that tested positive, 80% were detected in the initial test.

Still, the Public Health Agency of Canada has given no indication that it intends to back down from this policy. A spokesperson recently said that a negative test does not necessarily prove that a traveller is COVID-19 free.

Air Canada also took up headlines with its acquisition of Air Transat. Recent events allowed the company to push down its purchase price to \$5 a share compared to the \$18 per share originally pledged, bringing the takeover price to \$190 million – down from the original \$720 million.

Should you stay away from Air Canada until a COVID-19 vaccine?

Earlier this month, I'd discussed whether investors should [give up](#) on Air Canada stock. The progress of the COVID-19 vaccine has driven markets for months. Dr. Srinivas Murthy, a UBC professor of Medicine, recently predicted that Canada should have a safe and effective vaccine available in the spring of 2021. Last week, Health Canada received its first submission for authorization of a COVID-19 vaccine. This one is developed by AstraZeneca with the Oxford University in England.

Canadian policymakers have demonstrated that they are committed to their extremely cautious approach. A vaccine may be the best hope in 2021 for Air Canada and its peers. Fortunately, we may see one sooner rather than later.

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