



Don't Expect Air Canada (TSX:AC) Stock to Recover in Q4

Description

When the coronavirus pandemic first hit financial markets, almost every stock was impacted. By now, many stocks have recovered, and some savvy investors got great deals. However, some **TSX** stocks have lagged behind the rest, such as **Air Canada** ([TSX:AC](#)).

This has caught the attention of value investors who see a stock down nearly 70% from where it was at the start of the year.

While we all know the situation with Air Canada, it continues to be the most popular stock. However, as I've said before, while most wonder if Air Canada can get back to where it was, I think the better question is, when will the stock even begin to recover?

It's another thing to expect Air Canada to reach \$50 a share anytime soon. The question of whether the stock can make any recovery at all is a different story. But the biggest unknown continues to be how long it will be impacted.

And that's important, because not only will an investment in Air Canada likely do nothing in the short term, as it has for months. But also, the longer the stock is impacted, the harder it's going to be for it to recover.

Why Air Canada won't recover in Q4

At this point, it's status quo for Air Canada. The company is doing what it can to manage the pain, but it's earning nowhere where it needs to be even just to break even.

For the time being, the stock will likely continue to trade sideways. In the current environment, Air Canada needs a significant catalyst to give its shares momentum and encourage investors to look ahead towards its recovery.

At this point, it looks like the most likely catalyst is a vaccine. The announcement of an approved vaccine will undoubtedly be a catalyst for the whole stock market, but especially the industries

impacted the most.

However, in the current environment, it's still doubtful that a vaccine will be announced in the [fourth quarter](#), which is why I don't expect the stock to recover just yet.

One thing investors should be careful of

Regardless of when a vaccine is announced, one thing investors will want to be careful of is speculating about Air Canada stock. If you're going to take a long-term investment betting on its recovery, that's fine, but trying to trade it in the short term could be costly.

For example, if a [vaccine](#) is announced tomorrow, and the stock immediately shoots up 20%, I wouldn't run to buy shares. This is where it's extremely crucial that investors be patient and watch how things develop.

Most experts say that even after a vaccine is approved, it could take more than a year for the entire world and the general population to be vaccinated.

Why is that a problem? Because countries around the world may continue to discourage international travel until it's clear that the pandemic is no longer a threat. And any travel restrictions or reluctance by the public will leave Air Canada in a similar situation.

If it takes years for the world to get back to a new normal, and even if Air Canada has a short-term rally here and there, the stock may never pan out as a great long-term investment.

Bottom line

Because of the uncertainty, Air Canada continues to be one of the riskiest stocks on the TSX. It just isn't worth the risk to reward at a time when there are still several bargains for investors.

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Date

2025/08/27

Date Created

2020/10/21

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