



## Forget the Bears: Air Canada Stock Could Soar in 2021

### Description

The pandemic. The recession. The U.S. election. International tension. Dirt cheap oil... Anybody looking at a list of stressors like this in 2019 would probably have cashed in their chips and given up on the markets. The year 2020 has been a write-off.

Or has it? That's certainly the conventional, if bearish view of the year-to-date. But a more optimistic standpoint might take into consideration this year's surprise upside in new tech trends, for instance. A rosier view of the markets also takes into account the potential for a relief rally. With some big names coiled back like springs, a return to pre-pandemic normalcy could launch beaten-up names into the stratosphere.

### Assessing the upside in the market

Indeed, in a better-positioned 2021 market, investors could end up looking back at the pandemic as a temporary hibernation of economic activity. In essence, a big "reset" button has been pressed, allowing an entire generation to get into stocks at the ground level. A correction was a long-time coming. Perusing the P/B ratios of some big names, famously [chewed up by disastrous market forces](#), book price is only now being reached.

But let's stay with that concept of a relief rally for a moment. Rallies are often short-lived affairs. Even a market plateau eventually has its downside. But an end to the depressed pandemic market technically won't be followed by a rally. Instead, 2021 could see a return to a pre-pandemic market – as well as the record Bull Run that characterized it.

That means that the upside in recovery stocks might actually be sustainable. This recession isn't like other ones that have gone before. A regular recession is caused by a breakdown in the economy. But Canada's economy hasn't broken – it's been put on hold. Airlines such as **Air Canada** ([TSX:AC](#)) did not go (and have not gone) organically bust – and neither did restaurant chains, movie theatres, or hotels.

## Look past the damage and see the growth

Instead, [those industries got quarantined](#). And that means that they are still viable businesses – if they’ve managed to stay afloat during the pandemic. While this is a big “if,” the fact is that the markets are just like any other system, and every action always has an equal and opposite reaction. In short, take away the pandemic, and the markets will return to a pre-pandemic equilibrium. Air Canada, in particular, could soar.

But how much upside are we talking about here? Conservative estimates of Air Canada’s share price are mixed. There’s a lot of eyes on this name, though, which makes those estimates as accurate as can be reasonably expected. Air Canada could therefore be conservatively expected to gain 33%. A more optimistic projection would see the aviator rocket by as much as 80% given the right conditions.

Down 10% in the last five days, Air Canada is headed straight down. Having already lost 69% of its market share price since this time last year, it’s hard to imagine the flag-carrying commercial flight operator having a worse 2020. But with the pandemic not yet over and further lockdowns threatening, one never knows.

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