



Air Canada (TSX:AC) Stock SOARS 22% as Pfizer Vaccine Ignites Buying Frenzy!

Description

Air Canada ([TSX:AC](#)) stock surged 22% at market open Monday, as news broke that a **Pfizer** ([NYSE:PFE](#)) vaccine had proven 90% effective in clinical trials. The COVID-19 pandemic had been ravaging airline stocks all year, thanks to the travel bans and mass lockdowns it brought with it. The news from Pfizer was the first unambiguous signal that COVID may be on its way out. While there have been many vaccine efforts this year, Pfizer's was the first large-scale trial with a high effectiveness rate. A major bullish signal, it lifted all stocks... especially airlines.

Why Air Canada reacted so strongly

It's understandable that Pfizer's vaccine news would send stocks soaring. The pandemic nearly shut the economy down, after all, so a treatment is naturally something investors want to see. But Air Canada's reaction to the news went well beyond most stocks. As of 11 AM Eastern on Monday, AC was up a whopping 22% compared to 2.58% for the S&P 500 and 8.4% for Pfizer itself.

On the surface, this may look confusing. With news of a vaccine, you'd expect pharma stocks to rally the most. What we're seeing now is not in line with that. However, when we look more closely, we can see clearly that airlines have the most to gain.

First of all, airlines basically *need* a vaccine to get back to business as usual. Air Canada has been bleeding cash all year due to the collapse in demand for travel, with its third-quarter loss coming in at a whopping [\\$685 million](#). When you add the first- and second-quarter losses to that, you've got over \$3 billion in year-to-date losses. On top of that, we've got a third wave of COVID-19 taking shape nationwide. Air Canada wouldn't be able to withstand another wave of lockdowns. Most likely, it would be forced to enter bankruptcy. Now, however, the vaccine brings hope of the pandemic coming to an end in the not too distant future. So, there is real reason for optimism.

Second, many other stocks were already walking off their COVID-19 losses before Pfizer's announcement. If you look at pharma giants like Pfizer, many of them were priced into the stratosphere

last week. The markets expected them to come out with vaccines eventually. Similarly, tech stocks are still posting year-over-year revenue growth, and even retailers are beginning to come back to life. It's become clear which stocks are still under threat by COVID-19. The ones that aren't at risk have long since climbed back to their pre-COVID highs. So, the surprise vaccine news has most helped stocks like airlines and hotel companies, which were still reeling from the pandemic as of last week.

A word on the vaccine

Before concluding, it has to be pointed out that Pfizer's vaccine does not mean an immediate end to the pandemic. To be sure, a clinical study with [44,000 participants](#) and a 90% effectiveness rate is very, very good news. But this vaccine will need to receive many approvals and pass many regulatory hurdles before people can receive it. Hopefully it will. Pfizer's vaccine is one of seven that Canada has already pre-ordered, which bodes well for our country's prospects of getting past COVID. Hopefully, its development will proceed smoothly.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:PFE (Pfizer Inc.)
2. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/16

Date Created

2020/11/09

Author

andrewbutton

default watermark