



Air Canada (TSX:AC): Get Ready to Buy the Dip

Description

Air Canada ([TSX:AC](#)) has been sitting at ground zero of this COVID-19 crisis. With the stock market currently in the midst of a [tug-of-war](#) between good news (renewed vaccine hopes) and bad news (surging coronavirus cases that could threaten to spark another wave of lockdowns), the gloomy short-term trajectory may begin to overpower the more promising medium-term outlook that's looking to mid-2021 and beyond.

With various provincial travel restrictions likely to fall into place over the coming weeks, Air Canada could be in a spot to fall under pressure once again, as its quarterly cash flows look to evaporate, renewing fears of jittery investors with exposure to the stomach-churning industry.

Air Canada stock: Short-term pain for long-term gain

There's no question that things could become profoundly worse before they get any better. Fortunately, I think renewed vaccine hopes will keep Air Canada from plummeting to those lows seen back in March. Moreover, the Canadian airline looks to have more than enough liquidity to survive the looming crisis that will probably be followed by a massive recovery rally, as the second (and hopefully final) wave of coronavirus cases have a chance to die down in early 2021.

Air Canada is a steady ship this time around. The rougher waters that lie ahead aren't likely to sink it.

Air Canada's dip will be a buyable one

Air Canada enjoyed a glorious rally over the past several weeks on new vaccine hopes. While I think the news marks the start of a sustained rally higher for Air Canada and other airline stocks, ominous lockdown news, I believe, leaves the airline stocks (and most other [COVID-19 recovery plays](#)) at risk of a significant retracement. The potential reversal in momentum could have the potential to be vicious (think double-digit percentage declines). However, I think investors should look to accumulate more shares on any such dips, as I don't believe any potential near-term travel restrictions change Air Canada's longer-term recovery thesis.

So, if you've got what it takes to take on short-term pain for a shot at outsized long-term gains, I'd add Air Canada to your watchlist, because shares are more than likely to become a major mover as we head into one of the darkest holiday seasons in history. With shares at \$21 and change, Air Canada still looks to have a considerable amount of upside potential, given **Pfizer's** and **Moderna's** recent injection of hope for the stocks that have been feeling the most impact from the COVID-19 crisis.

The Foolish takeaway

With a late-2021 recovery in international travel likely in the cards, Air Canada, one of the biggest dogs of 2020, has the potential to be one of the TSX's biggest winners. In the meantime, investors are going to need to block out the doom and gloom that will stand to send the broader markets lower, led by COVID-hit value that's enjoyed a remarkable run in recent weeks.

Amid the worsening second wave, Air Canada should be seen as one of the steadiest ships in the ailing travel industry. With capacity cuts now in place and minimal debt due over the near term, the firm is ready for another round in the ring with Mr. Market.

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Author

joefrenette

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