



Air Canada (TSX:AC) Stock's Monster Rally Could Pop Soon

Description

Air Canada ([TSX:AC](#)) stock has been on a massive hot streak in recent weeks. Ever since **Pfizer** announced its vaccine had a 90% effectiveness rate, the stock has been soaring. Airlines stand to benefit from an end to the pandemic, so the recent price action is likely related to Pfizer's announcement. The rally may also be related to AC's third-quarter earnings, which showed a much smaller net loss than prior quarters.

So far, so good. A vaccine is coming, Air Canada is paring its losses, and AC stock is soaring. Sounds like a buy, right?

Maybe. But before you get too excited, it's time for a reality check. We're currently in the middle of a second wave of COVID-19 that once again threatens air travel. That includes travel *within* Canada as well as international travel. Just recently, Newfoundland and PEI announced that they were withdrawing from the "Atlantic travel bubble," a regional agreement that allowed free travel within the Maritimes without self-isolation. That kind of thing tends to put a dent in airline revenues. And it seems to be accelerating.

A vaccine could take a while

Another factor investors need to be aware of is the fact that [recent vaccine trials](#) don't mean that a vaccine will be *widely available* soon. A 90-95% effectiveness rate is definitely a good sign, but there are still all the regulatory and logistical issues that come with getting a vaccine to market. Regulators have to approve the vaccine, mass production needs to proceed, local jurisdictions need to procure their supplies. All of these things take time. This is one of the main reasons that public health experts are eying next *spring* for vaccine deployment, not December or January.

Why it could end soon

The current wave of COVID-19 threatens to end Air Canada's recent rally. As mentioned earlier, the rally we've seen has been influenced by two factors:

1. Vaccine news
2. A [smaller loss in Q3](#) compared to the two preceding quarters

Neither of these factors can prevent the effect that a new wave of COVID-19 will have on travel. The vaccine isn't going to be available until next year. The third-quarter improvements were due in part to loosening travel restrictions, which are now starting to be reversed. If we get right back to an April/May style nationwide lockdown, then Air Canada is probably in for another billion-dollar loss. If that happens, then the current rally will end real quick.

Foolish takeaway

If you've been holding AC stock recently, it's natural to be excited about the gains your shares have been making. No doubt, the stock has been on an incredible run since March. But perhaps it's best to take profits now. The second wave is in full swing, lockdowns are coming back, and it looks like another big loss is in the works for Q4.

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