



Can Air Canada (TSX:AC) Stock Stay Above the \$20 Price?

Description

Air Canada (TSX:AC) stock has become the talk of the town in the last two weeks. The stock has [shot up](#) ever since **Pfizer** and **BioNTech** announced their COVID-19 vaccines to be 90% effective. The tables turned, inviting a gigantic rally till 2021 end. Investors are looking at AC and see eyebrow-raising potential in the coming future.

Is \$23 sustainable for Air Canada stock?

When the Pfizer vaccine showed 90% effectiveness for COVID-19, AC stock escalated almost 30% in one day. The stock has now crossed \$24 price, up almost 70% this month. Other Canadian stocks also saw a bullish jump in numbers.

AC is already in the process of cutting operational costs and regional routes to curb cash burn. It canceled and consolidate flights in September, as it was unable to fill the seats. AC stock is still down by 50% since the start of the year. On the brighter side, passenger revenue recovered 35%. AC had one of the industry's strongest balance sheets when it entered the pandemic. It leveraged its balance sheet and raised almost \$6 billion in additional liquidity.

AC's peers were also not spared. **Delta** and **United Airlines** have already reported more than \$5 billion in losses so far this year. Their operating capacity was only 25%, resulting in a 75% decline in revenue. Last week, even United and Delta stocks escalated more than 15% on good news from vaccine companies. However, airline stocks might not sustain the current rally. It is because the rally is only derived from sentiments — not fundamentals that can maintain these numbers.

According to IATA's chief economist Brian Pearce, governments have already provided more than US\$160 billion in aid to airlines globally. The Canadian government is talking about a bailout as it is facing pressure from workers' unions. Although AC has used Canada's Emergency Wage Subsidy (CEWS) for its workforce, the government is under discussion for additional financial aid specific to airlines.

Air Canada's recovery could take longer

Air Canada has been one of the healthiest airlines in the pandemic crisis, as compared to its peers. On the contrary, the biggest drawback for Canada is that we are relying heavily on the U.S. and Europe for COVID 19 vaccine. Other countries, like the U.S., Germany, and the U.K., have domestic pharmaceutical provisions, and they will give priority to their citizens.

The prime minister of Canada, Justin Trudeau, during a news conference reported by [Freight Waves](#), said, "We are working with a number of partners including the Canadian military that as soon as vaccines arrive and are deemed safe, they will be distributed to Canadians." He also said, "We are making sure we have the plan in place to move as quickly as possible, but it is premature to start circling dates on a calendar or saying this vaccine is going to arrive in this amount on this day in this community because there's a lot of work to do between now and then. But we're on it."

The vaccine will unlock the road to recovery for the airline. AC could take longer to recover, given Canada's dependency on other countries for vaccines. Therefore, the see-saw situation will continue for AC stock for the next three years till the airline sees passengers return.

Invest at your own risk

If you are a risk taker and you can squeeze out money from this crucial see-saw scenario in the short term, you have the Midas touch. In reality, there are better stocks to invest with less risk as compared to Air Canada.

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Author

pujatayal

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