



Here's Why Investors Are Holding off on Air Canada Stock for Now

Description

Ever since the positive vaccine news came out at the start of November, **Air Canada** ([TSX:AC](#)) stock has seen a decent rally. A stock that has struggled so much during the pandemic, rallying on vaccine news is not surprising at all.

What may be surprising to some investors, though, is that the stock has only rallied to roughly \$25 a share. That means that even after its strong performance in recent weeks, the stock remains more than 50% off its 52-week high.

Seeing this may lead investors to believe that there is still upside potential, which there absolutely is. However, that doesn't mean the stock will continue to rally in the short-term.

Here's what to expect and watch for out of Air Canada stock over the next few weeks.

Why investors aren't buying

Air Canada's stock has rallied since the vaccine news came out; however, the stock may not be appreciating as much as many investors thought. This is down to several reasons.

First of all, there is still a tonne of uncertainty. Although we know we have multiple effective vaccines that look to be safe and should be starting to get distributed relatively soon, there's still significant uncertainty about what the economic recovery will look like.

Air Canada operates domestic flights as well as international. So, in addition to having to worry about vaccinating the whole country, the world's recovery from the pandemic will continue to play a big part in how Air Canada can bounce back.

For now, though, Air Canada is currently burning through between [\\$12 million](#) and \$14 million of cash every day. That means every day that the company can't start its recovery, it's losing a significant amount of value.

Therefore, it's likely not possible that Air Canada can reach its pre-pandemic high, at least not anytime soon.

Not only would business have to be operating as usual, but with the increased debt now, the company's equity may not be worth as much, meaning its market value may not be as high.

Air Canada has also issued more shares this year, which means that the company would actually have to be worth more for the share price to get back to where it was before the pandemic.

Furthermore, the consensus analyst estimate is roughly \$25 a share, basically exactly where the stock is today.

Investors and analysts have take a wait and see approach for now. It's still unclear what the timelines is for a recovery and what it will take for investors to want to jump back into the stock again. What will be the catalyst that motivates them?

Plus, there is always the risk of some potentially bad news. Most news these days is positive around the end of the [coronavirus pandemic](#), but some negative news could impact the stock greatly.

Looking to buy Air Canada stock?

If you are looking to own or already do own Air Canada, I would watch it very closely over the next few months. You could even start an initial position here, as there isn't that much downside if more negative news did come out. Plus, by taking a small position, you give yourself room to average down your cost.

It's crucial that investors recognize Air Canada stock is going to be a long-term investment. Although all signs point to the coronavirus pandemic ending by the end of 2021, there's no guarantee that companies like Air Canada will have fully recovered by then.

So while you could use this massive discount in the stock to take a position today, it could be a while before this investment finally pays off the way many investors expect it to.

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