



## Is Air Canada (TSX:AC) Stock on its Way to \$50?

### Description

In just the past month, shares of **Air Canada** ([TSX:AC](#)) have been skyrocketing, surging more than 65%. The TSX, by comparison, has risen by just 12% during that same timeframe. Its share price closed last week at just under \$25 — the highest it's been since March. Is the rally likely to continue, and is Air Canada on its way back to the highs it reached earlier this year of more than \$50? Let's take a look at why it may or may not happen.

### Why \$50 could be realistic within the next year

For Air Canada stock to hit the \$50 mark, there would need to be a very positive outlook for the industry. That would require COVID-19 cases to get under control, the economy to largely get back to where it was before the pandemic hit and for people to be traveling at near-normal levels again. There's a lot that would need to happen for Air Canada to be a \$50 stock again. However, stock prices are often a reflection of future expectations, and so as long as there's more optimism surrounding the future, then it's possible that this rally could continue for the foreseeable future.

If the rollout of vaccines is successful, and by the middle of next year concerns related to the pandemic are muted enough that airlines are operating even at half capacity, investors could be very bullish on the economy and Air Canada stock. It's possible that shares of the airline could rise to \$50 within 12 months — but it's just not a scenario I would expect to happen.

### Why investors shouldn't be too bullish on Air Canada stock, at least for now

It's tempting to want to think that Air Canada shares could get back to where they were at the start of 2020, but there are too many factors that are working against it for that to happen.

For one, even if the pandemic is over, people will still need to get back to work and earning an income for many of them to be flying again. The unemployment rate in October was 8.9%, up from 5.6% a year

earlier. And although things aren't as bad as in May when the unemployment rate was a whopping 13.7%, there's still a lot of work to do for the economy to get back to where it was before the pandemic hit.

Some jobs aren't coming back at all, and many people have deferred bills and rent payments, which is going to make for some tougher financial situations once the pandemic is over. What complicates the situation even further is that COVID-19 cases are still climbing, and things could still get worse before they get better. That's why it's a lot more likely that Air Canada stock will fall below \$20 during the next 12 months than it is that it will rise to \$50.

If you're a long-term investor and willing to wait [at least a few years](#), it's possible for your investment in Air Canada to [double in value](#), but it's not something that you should be expecting to happen in the short term.

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