



## Air Canada (TSX:AC) Stock Is Surging: Could Shares Double Again?

### Description

**Air Canada** ([TSX:AC](#)) stock is surging. Shares have nearly doubled in value in just 30 days.

Still more than 50% below their all-time highs — could shares double again?

### Vaccine news looks positive

There's no doubt that the COVID-19 pandemic is the biggest reason for Air Canada's weakness this year. In March, demand fell by more than 95%. Today, traffic is still 90% below 2019 levels.

Of course, the company still has to pay for its global workforce, plus maintenance on its fleet of planes. Dramatically lower revenues combined with fixed costs have resulted in a bloodbath when it comes to profits. Losses have totalled roughly \$3 billion over the last three quarters.

But stocks aren't valued on what happened in the past. The market is only concerned with one thing: what happens next.

Recent positive news regarding multiple vaccines should make investors much more confident about the future ahead.

"The industry is pinning a lot of hope on a vaccine to restore passenger demand and for governments to drop onerous travel restrictions," [reports Skift](#). "As consumer confidence returns, passengers are booking tickets further out from the day of departure, reversing a trend seen industrywide earlier in the pandemic for tickets booked close to the day of travel."

The dots are easy to connect here. Air Canada can't survive if passenger traffic remains at today's levels. A safe and effective vaccine is the only way to reliably boost revenue. In November, we got our best sign yet that the world will achieve its first vaccinations early next year.

## Buy Air Canada stock?

You're going to see a lot of people talk about airline stocks this month. The vaccine news is a huge positive step for the world as a whole, but when it comes to the stock market, airlines are some of the biggest winners. Just know that we're still not out of this [mess](#).

"We have updated our global air passenger traffic forecasts and now expect traffic to fall by as much as 60% to 70% in 2020 versus 2019. This is weaker than the 50% to 55% drop we forecast at the end of May," [reports](#) S&P Global. "We now expect 2021 air passenger traffic to decline 30% to 40% compared with the 2019 base, and foresee a more gradual recovery to pre-COVID-19 levels by 2024."

This shouldn't come as a surprise. Air Canada has consistently guided that a full recovery won't be achieved for another few years. Some airline executives believe demand will be *permanently* smaller.

While rising demand will help, there's a chance profits remain elusive next year. That's because we still have enough planes for a 2019 world, even though demand will be 30% to 40% lower. So we will have a ton of planes chasing a smaller number of passengers. That's bad news for pricing, and thus bad news for profits.

The good news is that Air Canada has a chance to outlast this crisis. It has enough liquidity to survive through 2021, and its leadership is one of the best in the business. But if you take a bet now, you'll need to stay patient.

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rvanzo

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