



Mayday! Is Air Canada (TSX:AC) Stock Approaching Buy Point?

Description

Air Canada ([TSX:AC](#)) stock, which rose from the ashes like a phoenix and soared the skies at \$27.5, came crashing down in December. Mayday! Mayday! The stock could hit \$21 or \$20 before the year comes to an end, and that's the time to buy it. There will be some temporary rallies, but the stock will fall on negative news. Don't buy it at a price point above \$23 as the upside will be limited.

What makes me bullish on the airline at \$20, even when the virus that infected the world airlines is mutating?

International travel ban extends to 2021

AC stock lost 70% of its value in the March market crash as the Canadian government imposed a blanket ban on non-essential international travel. After three months of strict lockdowns, AC saw some relief in domestic travel. In September, it saw some countries open their borders. AC saw an increase in passengers departing from Canada. While the [blanket restrictions](#) on foreign passengers arriving in Canada kept the air traffic low, it also helped Canada control the virus spread.

Now, there *is* a new development in the pandemic. The United Kingdom saw a surge in cases of a mutant coronavirus, and all countries are gradually closing their borders to Britain. The United Kingdom is self-isolating itself from the world to prevent the spread of the new strain.

In light of these new developments, the Canadian government has extended the international travel ban, even to the United States, until January 21, 2021. It has tightened the already tight restrictions on travellers arriving in Canada. Officials are further questioning and screening arriving passengers.

They are asking travellers if they have been in Europe, especially the United Kingdom, in the two weeks before arriving in Canada. There are heavy fines for breaching the restrictions. I won't be surprised if this ban extends to March 21, 2021.

Can Air Canada stock maintain the \$20 price?

Even though the government has extended travel restrictions, some positive signs will prevent AC stock from falling below \$20. In March, AC stock dropped to \$15 because there was no hope of freedom from the pandemic. No one knew when the lockdown would end or when AC planes see the international skies.

Investors only held to one thought, and that was the \$9.1 billion liquidity and strong balance sheet AC had. They knew that AC will be the last Canadian airline to declare bankruptcy. This faith of investors in AC kept the stock afloat at \$15.

Now, investors have a COVID-19 vaccine to tie their hopes. The United States has approved two vaccines of **Pfizer** and **Moderna**. While the [vaccine rollout](#) has its uncertainties and challenges, the government hopes to make the vaccine available to anyone who needs it by September 2021. Many vaccine experts expect travel restrictions to start easing in the second half of 2021 and travel demand to ramp in 2022.

Another ray of hope for AC is an airline-specific government bailout. However, the bailout could come with many expensive conditions like refunding cancelled tickets, restarting suspended routes, or committing to carbon emissions reduction.

The clarity on travel restriction timeline and bailout talks give investors hope and could encourage them to hold AC stock at \$20. One reason the stock could fall back to \$15 is if the mutant coronavirus renders the vaccine ineffective.

How to make money from Air Canada stock

Now that you know the bears and bulls of investing in AC stock, see on which side the market sentiment is skewed. The stock will move between \$20 and \$27. So when the stock comes closer to \$20-\$21, buy it and sell it when the stock crosses \$26. You can earn \$24 on a \$100 investment in AC.

If this seesaw volatility gives you nausea, there are better stocks than AC.

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