



Air Canada (TSX:AC) Stock Could Fly High on Potential Post-Pandemic, Pent-Up Demand

Description

Air Canada ([TSX:AC](#)) stock is on the [retreat](#) once again amid growing concerns that a mutated strain of COVID-19 from the U.K. could spark further, potentially longer-lasting travel restrictions. While little is known about the new mutation, most health experts agree that the new strain is unlikely to impact the efficacy of the handful of new vaccines that were revealed in early November. With further investigations underway, we'll learn more about the mutated strain, which is reported up to 70% more contagious.

More recently, it was discovered that another mutated strain (linked to South Africa) was discovered in the United Kingdom. While it's too early to hit the panic button, one must not assume that we're out of the woods just because of vaccine hopes and increased odds that the pandemic will end next year. With two mutated strains touching down in the U.K., there's a real risk that the current outbreak could become drastically worse going into the new year.

Are COVID-19 mutations a cause for concern for Air Canada and the airlines?

While newly discovered mutants strains in the U.K. are unlikely to shift the vaccine timeline, one must not discount a potential mutation that could. Increased transmissibility of the virus increases the chances of further mutations, and given we're still months away from reaching herd immunity, there's still the potential for negative surprises, as geographies around the world look to curb the spread, potentially heading back into a full lockdown.

While such worst-case scenarios are not something that anyone wants to think about these days, investors must always consider such [risks](#), especially if they're thinking about investing in a name like Air Canada, which is essentially at ground zero of this crisis.

With Air Canada stock now flirting with bear market territory, I think it'd be wise for contrarians to do at least a little bit of buying here. Even with mutated strains of coronavirus, I still think the pandemic will

end in 2021. There will be further bumps in the road en route to post-pandemic normalcy, though. So, if you're going to buy Air Canada, you'd better be ready for more turbulence or even a stock that could revisit to the high teens.

Air Canada stock could really start to take off in the latter half of 2021

Many folks expect a modest recovery in the air travel space once the pandemic is officially over. An airline like Air Canada faces a bumpier road to recovery, as it's more exposed to international flights, potentially to geographies where COVID-19 may not be eliminated as quickly as in Canada.

That said, I think there's a tonne of pent-up demand for air travel for leisure purposes. Many people who've been working from home under self-isolation are in need of a vacation. Others who haven't seen their families in months are also itching to fly home after not being home for Christmas. Once the masses have been inoculated, I think the demand for flights could have the potential to be unprecedented.

Foolish takeaway

A surprise to the upside in demand could cause ticket prices to soar, which would give Air Canada a much-needed profitability boom that it so desperately needs after navigating one of the worst crises in its history.

In the meantime, there's a very dark winter to get through. And the stock could be headed back to \$18 before its next take-off, with a potential arrival to its destination at around \$40. If you're no stranger to volatility, Air Canada is a buy.

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