



Air Canada (TSX:AC) Stock: Buy or Sell?

Description

Few industries have suffered as much as airlines during this pandemic. Airlines started seeing the effects of the pandemic early on, and they haven't benefitted from the post-crash recovery momentum of the market. **Air Canada** ([TSX:AC](#)) stock fell by about 75%, and up until mid-November, it had trouble breaking through the \$20-per-share threshold.

After months of low valuations and testing the fortitude of its investors, the stock finally showed some life in November and grew over 70% in fewer than 30 days. For investors who'd bought the company when it was trading around \$15 per share, the first week of December was the perfect time to sell and would have helped them realize decent short-term gains.

The case for buying

Air Canada is not a good buy right now. The euphoria surrounding the vaccine is wearing off now, and the momentum it built up for the stock is now moving in the wrong direction. The stock is about 18% down from its peak value earlier this month, and it [might keep going down](#), especially if the travel restrictions with the U.K. extend to other countries as well.

The airline industry might be a bad long-term bet anyway, because the pandemic has forced many people to re-evaluate their leisure and business travel practices. Most businesses now prefer remote meetings anyway, since they save both cost and time. As Bill Gates predicted, business travel might be reduced to half of what it used to be in a pre-COVID world.

So, whether you want to buy a stock for short-term recovery or long-term growth prospects, there might be significantly better (and safer) options than Air Canada. The future of the airline industry is shaky as it is, and the pandemic has weakened the company to such an extent that it would take years before the company is fundamentally strong again.

The case for selling

If you'd bought Air Canada shares when the company was at or near its prime, then the perfect time to sell might not come for a few years still. It's improbable that the stock will soar to its pre-pandemic valuation anytime soon. All you can do now is try to mitigate your losses. Even then, a good time to sell would have been earlier this month, when the stock reached its recent peak. Now, it's on a steady decline.

This [recent peak](#) has shown us that the stock still has some life left. If you can hold on to your stake for a few more months, you might be able to sell at a better price than you will get right now. When the pandemic is finally under control, the stock might even climb up to \$30 per share. That would be a good time to sell.

Foolish takeaway

Air Canada is trying to gain a footing in the cargo market as well, but that division is not nearly sizeable enough to make up for the dismal numbers of the transportation business. The company is also trying to solidify its dominance in the Canadian air space by going through with the Trans At purchase, albeit at a reduced price. But even that might not be enough to make Air Canada a potentially profitable stock, at least in the near future.

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