



Air Canada (TSX:AC) Stock Is No Less Risky Than Cryptocurrency Right Now

Description

Air Canada ([TSX:AC](#)) has been one of the worst-affected Canadian companies by the COVID-19 crisis. The ongoing pandemic badly affected the airline's financials in 2020. Air Canada may continue to struggle for years with no immediate relief in sight, making its stock extremely risky at the moment. Let's take a closer look at why.

Air Canada is raising more money

On December 15, the largest Canadian airline [revealed](#) its plan to raise more money with a share offering. With this offering, the struggling airline plans to raise about \$850 million to supplement its working capital and other cash needs. It also expects that the money raised with these offerings will help the company improve its cash position and allow it to implement recovery measures in the near future.

Air Canada has already lost nearly \$2.8 billion in the first three quarters of 2020. The analysts expect the airline to add another slightly less than \$1 billion to its 2020 losses in the fourth quarter.

In its latest press release, the company highlighted it's burning \$14 million to \$16 million cash each day on an average in Q4. Previously, during its third-quarter earnings event, it gave a much lower cash burn projection range of \$12 million to \$14 million per day for the fourth quarter.

These factors clearly reflect how the situation seems to be getting more worrisome for Air Canada.

The cryptocurrency trap

The year 2020 has been amazing for cryptocurrencies, unlike many stocks, including Air Canada. While Air Canada's investors have seen about 53% year-to-date losses, Bitcoin has posted a massive 270% rally this year. Currently, Bitcoin is trading close to its all-time high of about US\$26,500 against the U.S. dollar. By comparison, the **S&P/TSX Composite Index** has risen by only 3.3% in 2020.

However, don't let Bitcoin's outstanding 2020 performance fool you, because this is similar to what happened sometime between 2017 and 2018. Back then Bitcoin rallied by well over 300% within a few months, and then in about four months in early 2018, it tanked from nearly US\$20,000 to below US\$6,000. It wiped out the investment portfolios of thousands of investors.

That's the reason why well-experienced investors, including Warren Buffett, [hate cryptocurrencies](#) and never wish to own them. Experienced investors are usually aware of the risk involved when trading such digital currencies, which are not regulated by any central bank.

Air Canada stock is no less risky

You may find cryptocurrency investment too risky, but if you recently bought Air Canada stock in hopes of a sharp and quick recovery, then you're also taking too much risk. Despite the arrival of multiple COVID-19 vaccines, rising new cases, a new coronavirus strain, and uncertainties about the future of business travel would make Air Canada's financial recovery a very challenging task.

Losing an investment opportunity is equivalent to losing money. Instead of locking in your hard-earned money in Air Canada stock or cryptocurrencies, you could buy any undervalued growth stocks with that money right now. Growth stocks can yield unbelievably high returns in the long term with relatively much less risk than investing in Bitcoin or related funds.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/22

Date Created

2020/12/29

Author
jparashar

default watermark

default watermark