



## Air Canada: 35% Downside on the Horizon, So Be Patient

### Description

Airlines are certainly among the [sexiest rebound plays](#) on the market today.

With a Canadian bailout for the airline sector on the horizon, investors are once again piling into this sector. Government assistance has been slow to materialize, and the pandemic-related woes have hit companies like **Air Canada** ([TSX:AC](#)) hard. Newly announced vaccines and the potential loosening of pandemic restrictions are bullish. What's not to like?

### Technicals are not in Air Canada's favour

We've seen rebounds in recent months hit resistance to the upside. While Air Canada has recently broken through a psychological barrier around \$20 per share, we've seen this stock trade between the \$15-and-\$20 range for much of the "pandemic era."

This range would imply a potential downside of approximately 15-35% in the near term, if things don't materialize as planned. Should government restrictions tighten, bailout talks stall (excuse the pun), or discretionary flying takes a nosedive (had to do it), things could turn sour quickly for this stock.

### Not to worry; Just be patient

Air Canada is a great stock and is one I've recommended numerous times in the past. That said, I've changed my stance since [January](#) when I discussed why I viewed Air Canada stock as overvalued at the \$50 level. Since then, investors would have done well to heed my advice, with this stock down more than 50% from January levels.

This is indeed a great turnaround stock to buy, but timing is everything. Buying a stock that has momentum on the upside that happens to be cheap can turn out badly, particularly with technicals that look this poor. At the time of writing, there are some bearish indicators that make this stock look downright scary to buy right now.

## Patience is hard but will be well rewarded

The difficult thing to do sometimes is to go against the grain. Contrarian investing has had a bad reputation in recent years. Value investors have gotten slaughtered. That said, valuations right now are approaching obscene levels. This includes rebound plays like Air Canada. Just because things *could* get better doesn't mean they will.

Betting on a stock that has to have something catastrophic to happen to drop is a very different story than buying a stock where everything has to go right for it to go up. Right now, I'd put Air Canada in the latter category. This makes for a difficult buying thesis, particularly if you believe this stock has substantial near-term downside.

### CATEGORY

1. Investing

### POST TAG

1. air canada
2. market
3. value 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. Investing

### Tags

1. air canada
2. market
3. value investing

### Date

2025/08/27

### Date Created

2021/01/02

**Author**

chrismacdonald

default watermark

default watermark