



Should You Buy Air Canada (TSX:AC) Stock Today?

Description

Air Canada ([TSX:AC](#)) and its peers were hopeful for a brighter future in the new year. The spectre of a [second wave of COVID-19](#) had been apparent since the late summer and early fall of 2020. However, many hoped that we would be tampering down on restrictions at the start of 2021. These hopes have been dashed in recent weeks, and airliner stocks have suffered because of it.

Why Air Canada stock has started slow

[Shares of Air Canada](#) have dropped 12% month over month as of close on January 13. I'd explained why I was bullish on the stock ahead of the new year. The stock had originally gained momentum on news of the vaccine in the middle of November. Unfortunately, the vaccine rollout in Canada has been underwhelming in comparison to its top allies like the United States and United Kingdom. It appears unlikely that Canada will achieve broader immunization by September of this year.

This week, Air Canada announced that it would slash roughly 1,700 jobs, as it was forced to further reduce capacity. It will operate at about 20% capacity compared to the first quarter of 2019. Pandemic restrictions in Canada are intensifying in January, so it will take time for there to be a reversal on this front. Predictably, Canada's top airliner will also be forced to suspend flights to more cities due to a lack of demand.

Will restrictions hold down airliners for the whole year?

The breakthrough on the vaccine front brought hope into the hearts of people in Canada and around the world. Many political leaders vowed that there would be a "light at the end of the tunnel" by the time the spring rolled around in 2021. That pledge is starting to look shaky. We will need to see a significant drop in cases and a much faster vaccine rollout for Canada to turn things around by March and April.

Does this mean investors should avoid Air Canada and other airline stocks altogether? Not at all. This has been a frustrating start to 2021, but investors should still have faith in a resolution by the second half of this year. The airliner industry is still geared up for big growth in the years ahead. Savvy

investors should keep a close eye on Air Canada stock and employ a dollar-cost averaging strategy to take advantage of its still-low price.

Should you buy Air Canada stock ahead of earnings?

Air Canada is expected to release its fourth-quarter and full-year 2020 results in February. Investors should anticipate a predictably grim batch of earnings after the most challenging year for the airline industry in decades. In Q3 2020, Air Canada saw total passengers carried drop 88% from the prior year. Meanwhile, capital expenditures were reduced by about \$3 billion over the 2020-2023 period.

This aside, Air Canada still boasts top tier growth potential. Moreover, its balance sheet is much improved compared to the situation it faced in the beginning of the 2010s. I'm keeping a close eye on Air Canada stock to start this year and looking to stash the stock as the price stays low.

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