



## Is Air Canada (TSX:AC) Stock on the Verge of a Parabolic Move — or a Crash Landing?

### Description

There aren't too many stocks that are as polarizing as **Air Canada** ([TSX:AC](#)) today. I think there are two entrenched camps of thought on airlines right now. Some investors believe Air Canada is poised for a parabolic move from here. Others believe that a crash landing scenario is more likely. I'm going to explore both.

### The bulls – a parabolic move is coming!

Those anticipating parabolic stock price appreciation for Air Canada are expecting a few things to play out.

First, a faster-than-expected end to the pandemic, followed by a resurgence of discretionary and business travel, will take place. Do I think there's a tremendous amount of pent-up demand for taking that trip to someplace exotic? Absolutely. Indeed, Air Canada will likely see a surge in volumes coming out of this pandemic, once travel restrictions are lifted. The timing of this surge is important, and this is essentially what investors are betting on right now.

Furthermore, bulls also tend to be fairly certain we'll see business travel recover substantially. I think even most Air Canada bulls would concede that a portion of business-related travel will be lost as a result of the pandemic. Indeed, we've gotten so used to virtual meetings, the need to have a consultant fly inter-continently to attend a meeting that could have easily been set up on Zoom makes no sense. However, bulls will note that the stock price decline we've seen more than factors this in currently.

Additionally, this thesis is built on the idea that government stimulus in the near-term will materialize. We've seen a lot of headlines and talk on this topic, with nothing materializing of late. I think this is a tricky political landmine for politicians right now. The timing of stimulus, if it materializes, is a big unknown right now.

## The bears – this stock will crash land!

Those bearish on Air Canada stock have significant reason to be, given the sheer numbers Air Canada has posted of late. Fundamentally, Air Canada is hurting right now. The longer this pandemic rages on, the better the bear case is for staying clear (or even shorting) this stock.

Indeed, the aforementioned expectation of a resurgence in air travel demand is probably the biggest difference between bears and bulls right now. I think there's a significant group of investors who are bearish on the [structural impacts](#) this pandemic may have for air travel long-term. I have to admit, this argument is enticing. Indeed, I do think we're going to see some structural damage to business-related travel long-term, but I'm not sure about the extent to which discretionary travel could be impacted.

## Bottom line

Time will tell which camp turns out to be right. I think right now, this is going to be a higher-volatility stock that could go either way. Personally, I'm on the sidelines with this stock. I'd recommend investors interested in Air Canada stock right now to trade carefully. Indeed, if the winds change direction, this is a stock that can move very quickly in the wrong direction.

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## Author

chrismacdonald

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