



## Air Canada Stock Could Be on the Verge of a Parabolic Move Higher!

### Description

A stock that has been highly volatile this past year, **Air Canada** ([TSX:AC](#)) has been bouncing around the \$20 level for some time. In a recent article, I'd highlighted the reasons why [I think this stock could hit \\$30 this year](#).

I think a number of factors are shaping up to support such a thesis. Accordingly, I think investors looking for a rebound play could be well rewarded by considering Air Canada at these levels.

### Pandemic-related sensitivity could be a good thing

The airline sector has been nothing short of battered because of the recent global pandemic. With travel restrictions still in place, airlines like Air Canada have been forced to look at other revenue streams to stem the cash flow burn that has ravaged its balance sheet. Indeed, the recent short-term moves made by Air Canada's management team to get into air cargo shipments in a bigger way have worked wonders. Additionally, cost-cutting efforts have limited the company's cash burn substantially this past quarter. This is a company that is doing all the right things currently. If Air Canada can continue to stem the bleeding, investors could reap some parabolic returns when the economy improves.

Over the medium to long term, I think the resumption of discretionary travel will take Air Canada's stock higher. Yes, I do think we'll see some structural damage to business travel. However, I also think there's a tremendous amount of pent-up demand for vacation travel. Being cooped up in quarantine and a work-from-home environment will likely be a key catalyst once restrictions are lifted and the world goes back to a "new normal."

Thus, the fact that this stock has been hit so hard as a result of the pandemic could work in its favour when restrictions are lifted. Indeed, Air Canada's value as a rebound stock ought not to be discounted right now.

## Short interest a reason to keep an eye on this stock

Furthermore, as we've seen with the recent rise of other stocks such as **BlackBerry** and other heavily shorted stocks, Air Canada could grab a bid in the coming weeks. The Reddit "WallStreetBets"-fueled rally of late could take many poorly performing stocks with high levels of short interest parabolic.

At the time of writing, Air Canada has a short volume ratio around 44%. This indicates the market is bearish about the company's future prospects. Retail investors looking to burn short-sellers may put Air Canada in its sights. Indeed, this is a potential catalyst worth keeping an eye on right now.

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**Date**

2025/06/29

**Date Created**

2021/01/30

**Author**

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