



February Outlook: Why Air Canada (TSX:AC) Stock Lost 12% in January

Description

The shares of **Air Canada** ([TSX:AC](#)) fell by 12% in January. With this, the largest Canadian airline is continuing to face investors' pessimism to start 2021 on a negative note. Air Canada stock fell by 53% in 2020, as the pandemic-related travel restriction devastated its operations.

Before we look at its February outlook, let's take a closer look at its recent updates.

Air Canada suspends flights to the Caribbean and Mexico

On Friday, Air Canada [announced](#) the suspension of its flights to 15 destinations in the Caribbean and Mexico until April 30. The airline cited concerns around the new coronavirus variants and took this decision at the Canadian government's request. Air Canada is operating a few one-way commercial flights from these destinations from January 31. These one-way flights would allow travelers to return from suspended destinations to Canada.

Air Canada's latest announcement to suspend flights to these 15 destinations raised more concerns about its future. The airline has already faced massive cash burn in the last year. Investors were hoping for a better 2021. However, new COVID-19 variants are seemingly making the situation worse for the airline industry.

Other recent developments

On January 18, Air Canada announced it would bring the Boeing 737 MAX aircraft back to its domestic and commercial operations from February 1. The airline said that 737 MAX aircraft would gradually be back on its North American route network.

I don't consider this development to help the airline improve its financials in the near term. Air Canada might have to run these commercial flights at [low capacity](#) due to very low air travel demand across Canada. That's why the airline would continue to burn cash issues, even after starting Boeing 737MAX aircraft commercial operations.

Air Canada stock: February outlook

Air Canada's commercial flight operations within Canada have improved in the last few months. However, I don't expect these changes to lead to a major financial recovery in the first quarter of 2021. Its financial recovery is still highly dependent on a robust improvement in the air travel demand — especially in business air travel and more relaxations on international air travel.

With many new coronavirus variants emerging in different countries, Air Canada might continue to face financial difficulties this year as well.

The airline will release its Q4 2020 results on February 12. Analysts expect it to report \$928 million losses for the quarter. A bigger-than-expected loss could take its stock prices even lower. That's why Air Canada investors should remain cautious in February — especially around its earnings report day.

Final thoughts

I don't completely deny a possibility of a medium-term recovery in Air Canada stock — if the air travel demand recovers faster than expected. However, the chances of this recovery remain low due to many above mentioned factors. That's why I wouldn't want to bet on its stock recovery not at least in the first half of 2021.

In my opinion, it would be wise to invest your hard-earned money in other rallying cheap stocks instead to expect good returns on your investment.

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