



Air Canada's (TSX:AC) Rally Isn't Over Yet

Description

Air Canada ([TSX:AC](#)) stock has surged nearly 11% in just two trading sessions, and there are reasons to believe that the epic rally may not yet be over. A brutal quarter is now in the rear-view mirror, though there are still things to be worried about, most notably with COVID-19 variants of concern and their potential impact on travel restrictions moving forward.

In a prior piece, I'd pounded the table on the popular Canadian COVID-19 reopening play, noting that it wasn't a bad idea to go against the grain with shares while the technicals and fundamentals were both in alignment: "When it comes to Air Canada stock, I think the name couldn't be timelier, after plunging viciously from its multi-month peak levels." I [wrote](#). "The stock recently formed what looks to be a bullish continuation wedge that could imply a major upside breakout over the coming weeks and months. If the technical pattern comes to fruition (there's no guarantee that it will), the stock could break the \$30 mark over the medium-term."

Indeed, AC stock turned out to be one of the timelier plays on the **TSX Index**. I still think the stock is headed to \$30 over the medium term on the back of positive news that should act as meaningful support.

What's behind Air Canada's big rally, and is it sustainable?

Fellow Fool contributor [Karen Thomas](#) recently provided excellent coverage on Air Canada's post-earnings reaction. Thomas pointed out that investors liked the federal government's decision to approve the acquisition of Air Transat. The move was a big deal, and it should have been a needle mover to the upside on AC shares. The big announcement gave many investors a reason to forgive the ailing airline for clocking in a brutal fourth quarter that missed the mark of analysts on the Street.

Thomas also remarked on Air Canada's booming cargo business and the likelihood that it would be a recipient of generous financial aid from the government. Both reasons are something to get excited about. However, it's worth noting that the latter catalyst is likelier to be subject to some strings attached. Regardless, Air Canada investors have to be relieved knowing that the odds of bankruptcy are now slim, even with the threat of COVID-19 variants of concern.

Management has been doing everything in its power to reduce cash bleed and improve its chances of making it through this crisis under (mostly) its own footing. The company looks to be in far better shape than some of its peers south of the border. And while Air Canada's greater exposure to international travel is a negative, I believe the tougher road to recovery is already more than baked into the share price at this juncture.

Foolish takeaway

In due time, Air Canada will return to profitability. While there's no telling when the pandemic will end, I think it's safe to say that the airline's chances of survival have increased considerably in recent months.

The stock was a speculative gamble last year, with the haze of uncertainty clouding the future. But this year, AC stock now looks like a deep-value investment. With better fundamentals, greater chances of generous government relief, and a national vaccine rollout, I'd say AC stock is a wise bet for those willing to hold for the long haul.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

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. Coronavirus
2. Investing
3. Stocks for Beginners

Date

2025/07/06

Date Created

2021/02/17

Author

joefrenette

default watermark

default watermark