



Air Canada (TSX:AC) Stock at \$24: Should You Buy, Sell, or Hold?

Description

Air Canada's ([TSX:AC](#)) stock has surged 13% since its fourth-quarter earnings on February 12. This is the first time in two months the share showed an upside. It is now trading at \$24. Should you buy, hold, or sell the stock?

AC is a momentum stock that moves on speculations instead of fundamentals. If you want to make money in such a share, you need to study the momentum. Don't hesitate to sell the stock because what goes up comes down.

Air Canada's seesaw momentum

Let's look at Air Canada's momentum. Since the pandemic fallout, AC has been a range-bound stock seesawing in the \$14-\$22 price range. But the COVID-19 vaccine news in November 2020 sent the stock soaring to as high as \$28. This rally was built on speculation. As it is with speculations they die down when another news pops up.

AC's vaccine stock rally [faded](#) in mid-December, as the second wave of the pandemic started showing signs of another March 2020 lockdown. By January, the Canadian government [tightened](#) travel restrictions, and AC announced another series of downsizing, with route suspensions and job cuts. It even suspended operations of its economy airline subsidiary Rouge. This pulled the AC stock down to \$20.

However, the post-vaccine world has upped the price range for AC stock to \$20-\$28. AC's stock price movement depends on any positive news that can inject more money into the airline, which is bleeding cash at the rate of \$15 million/day. Currently, the stock is rallying on advancing talks around the bailout and the reducing possibility of the **Transat A.T.** acquisition. If you look at both these news pieces from the cash perspective, the first will increase cash inflow, and the second will reduce cash outflow.

How to make money from Air Canada's stock momentum

If you want to make money in momentum stocks, buy at the lower end of the price range and sell at the higher end. A good price point to buy the AC stock is \$20 and a good sell point is \$26-\$28.

Invest in AC using your Tax-Free Savings Account (TFSA) as it makes your withdrawals and investment income tax-free. Now, if you have \$10,000 to invest, don't spend more than 5%, or \$500, on momentum stocks as they carry a high risk of volatility.

If you purchased AC stock at a \$20 price point, your \$500 converted to \$600 in less than 15 days. Hold the stock as it still has a positive momentum, which means people are buying. When retail investors are in buy mode, the share will continue to surge.

Reading technical graph

One technical indicator that tells you about the investor sentiment is the Relative Strength Index (RSI). Consider that there are 100 trades placed on the stock in a given day. The RSI tells you many were buy and sell trades. The stock price rises when there are more buy trades and falls when there are more sell trades.

There needs to be a balance between buying and selling. Hence, when the RSI is between 30 and 70, the trading on the stock is considered normal. But when the RSI surpasses 70, it indicates that the stock is overbought, and it won't sustain the buying momentum. Look at the RSI, the news sentiment, and accordingly buy and sell the stock.

Should you buy, hold, or sell Air Canada?

Remember, the stock price is not based on the past but on the expectations of the future. The worst has passed as AC reported its bleakest annual earnings since 2003. The stock is currently trading at \$24 and has an RSI of 63. The news is positive around the bailout that could fuel growth and help the stock cross \$26.

If you already own AC stock, hold it and sell it after the price crosses the \$26 mark. Don't buy the stock at this price point. Buy the share when it falls to \$20-\$21. I expect AC stock to hover in the \$20-\$30 price range in 2021.

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