



Air Canada Soars 25% in a Month: Why March Could Be a Repeat

Description

Air Canada ([TSX:AC](#)) is a stock with a tonne of momentum right now.

This past month, shares of Air Canada skyrocketed 25% higher on [earnings sentiment](#) and an approved merger with **Air Transat**.

Here's why I think more upside could be on the horizon.

Catalyst #1: Bailout likely

I think Air Canada has turned into one of the best turnaround plays on the **TSX** of late.

The company noted in its recent earnings call that it's bullish on a bailout materializing soon. This would be welcome news for investors hopeful for some sort of government assistance since the beginning of the pandemic.

Of course, there are concerns that mass vaccinations could quell the effects of the pandemic in the near-term. This would lessen the blow on airlines, particularly if travel restrictions would be loosened or lifted. The government may be less-inclined to bail out a sector that may survive without any government stimulus, particularly given the amount of money the Canadian government is spending to keep the economy alive as it is.

However, airlines have always been viewed as an essential industry in Canada, and in most countries. Accordingly, airlines get preferential treatment relative to other sectors. Bailouts are common every decade or so in this highly cyclical sector. Thus, I agree with Air Canada's management team in their assessment. I think such a bailout is more likely than not right now.

Catalyst #2: Consolidation Bullish

Additionally, the company's deal to swallow up Air Transat is a huge deal. I think this catalyst is a

game-changer for the Canadian airline industry.

The recent approval Air Canada received from regulators to continue with this transaction is bullish for Air Canada. Yes, passengers may suffer as a result of higher fares over time. **WestJet's** management team has been pretty vocal about this. However, the increased pricing power awarded to Air Canada as a result of the deal is good for shareholders.

Additionally, Air Canada was able to negotiate a pretty significant discount on the purchase price it originally discussed with Air Transat. The time to consolidate a sector is when it's beat up, and there are deals available. The timing was right, and Air Canada took advantage. This is certainly a good thing for long-term investors.

Conclusion

I think the recent stock price appreciation we've seen with Air Canada could only just be underway.

These catalysts appear to have legs. Investors like Air Canada's current position and its potential in the short, medium, and long-term right now.

I'm more bullish on Air Canada stock than I've been in a while. I think this is a momentum stock as much as it is a turnaround play. Accordingly, March could be a very favourable month for Air Canada shareholders, much like February.

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Date

2025/07/19

Date Created

2021/03/04

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