



Air Canada (TSX:AC) Rally: Will We See the Company Soar in 2021?

Description

Everybody loves a good recovery story. Whether it's an individual or a company, a recovery story gives people hope and stirs them into action. When some of the most weakened and adversely affected companies start recovering, people see it as a sign that the market is finally into its organic recovery phase, and it's not just propped up on optimism.

That's one of the reasons why investors are so interested in **Air Canada's (TSX:AC)** recovery. The stock has been growing at a powerful rate since the beginning of the year. The vaccines and the relatively muted fear of the pandemic have finally breathed hope in the market, and a lot of investors are probably considering Air Canada a very profitable recovery bet.

But there is another element [fueling this optimism](#) and recovery.

Government aid for the sector

It might be late in the coming, but there is finally some optimism in the sector that the government aid might finally be arriving. It has been almost a year since the sector has been suffering, and it might still take years for the airline to start operating at its pre-pandemic capacity. And it might take longer than that to recover from the financial sufferings of the pandemic.

The chances are that the help will come with certain stipulations. The refunds and resuming certain local routes are likely to be the government's top priority. But even with these conditions, substantial aid might help the company afloat and send the stock soaring.

Air Canada prospects

When the regular operating capacity of the company was devastated, Air Canada's cargo segment turned out to be relatively profitable. The company is now focusing on growing that segment. It's also delving into a complementary e-commerce business. It would appear as one of the shipping choices to e-commerce consumers, and AC believes that its domestic network will make it faster and therefore

more attractive to e-commerce consumers.

Another ray of hope, which is shining on Air Canada's primary business (i.e., air travel), is about the shrinking quarantine days and travel restrictions. The call for this change is coming from the whole aviation community in Canada. It's believed that if both federal and provincial governments ease up restrictions, and even if they don't plan on lifting the quarantine requirement altogether and just reduce it to five to seven days, air travel might increase.

Combined, a stimulus package and gradually increasing air travel might breathe new life into the company.

Foolish takeaway

Right now, Air Canada stock is soaring on more "tangible" winds than simple optimism. The market is turning in favour of the airline, and government aid might solidify the company's financial situation. The earnings might stay down for a few quarters, but even a substantial reduction in losses can help Air Canada stock retain the [growth momentum](#) and reach new heights.

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Author

adamothonman

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