



## Why Air Canada Stock Gained 10% Last Week

### Description

Shares of **Air Canada** ([TSX:AC](#)) have been absolutely surging of late. Indeed, Air Canada stock has been one of the top performers on the TSX in recent months. A 10% surge this past week is indicative of a broad sentiment shift toward value stocks and away from growth.

It appears investors are looking for the best of the best coming out of this pandemic. Accordingly, investors are looking for stocks have been beaten up to a level investors don't think makes sense.

One such stock happens to be Air Canada right now. Here's why I think the market's approval of Air Canada is warranted right now.

### Consolidation bullish for Air Canada stock

I think one of the most desirable aspects of Air Canada's stock is its likely growth potential coming out of this pandemic. Indeed, the [recently approved](#) company's \$190 million acquisition of **Air Transat** could turn out to be a brilliant move in this regard.

Personally, I think Air Canada got a steal with this deal. Yes, times are hard right now in the airlines sector. But that's exactly when smart managers make investments. The whole buy-low-and-sell-high idea is still a thing, right?

If pandemic-related restrictions loosen sooner than later, Air Canada could really benefit from this deal. Indeed, its Air Transat deal bolsters the company's market share in the discretionary travel segment. This segment is likely to be the fastest growing in the travel space, given the amount of pent-up demand just waiting to be released.

Business and commuter travel is likely to see some structural damage as a result of the pandemic. However, I think the boom we're likely to see in vacation travel should more than offset losses in the medium term.

## Bailout a big deal

There's been a lot of discussion of late around a bailout materializing in the near term. Various participants in the talks have come out and provided a clearer line of sight into what's going on. If Unifor's Jerry Dias is right, the potential bailout for this sector could be in the \$9 billion range. This is an improvement on what was initially speculated to be a bailout of \$7 billion previously.

Indeed, I think there's real potential a bailout could be announced later this month or in April. Investors are pricing this in right now. There's real reason to believe that this injection of capital, combined with a resurgence in discretionary travel, could take Air Canada stock on a very nice ride.

I'm optimistic on the medium-term prospects of the sector. Accordingly, I think Air Canada stock is one of the best among its peers and deserves consideration.

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