



Today's Top Buy: Air Canada

Description

Today, growing inflation expectations and a positive outlook on the economy has shaped how investors are viewing certain stocks. In this lens, **Air Canada** ([TSX:AC](#)) is one stock that has garnered favour among those seeking stocks with near-term upside.

However, I'm going to discuss two key reasons why I think Air Canada represents an interesting case for a long-term hold at these levels. Indeed, the airline sector continues to trade well below pre-pandemic highs. Thus, there's a real opportunity here for value investors who see a return to normal on the horizon.

There's a large group of investors that thought Air Canada was cheap prior to the pandemic. Accordingly, if you find yourself in this group, there's no time like the present to get in on this stock.

Air Canada needs to do well, for Canada's sake

The reality is this: Canada really only has two major airlines. Among these, Air Canada is the largest and most structurally important.

Unlike other sectors that have received massive amounts of government support in the past, airlines are considered to be of critical importance to the government.

Fellow Fool contributor Joey Frenette had some spot-on comments in a [recent piece](#) on this subject. He wrote, "America can afford to let one or even two major airlines go belly up. Canada really can't. As such, I view Air Canada as having a critical lifeline in a worst-case scenario that sees this pandemic drag on through 2022, sparking the need for further government relief to navigate through travel restrictions."

Indeed, there's a pervasive belief that a bailout package is right around the corner for Air Canada. Certainly, shareholders would be key beneficiaries of such an announcement.

While this may turn out to be a near-term catalyst, the balance sheet support such a bailout loan would

provide Air Canada could set the company up for much better long-term returns for shareholders.

Vaccine rollout speeding up

Canada has seriously lagged its developed market peers in its vaccine rollout thus far. Accordingly, there's some concern brewing that the optimistic outlook the U.S. has for travel growth later this year might be premature in Canada.

However, it appears the Canadian government is trying to get their act together. More vaccines are on their way courtesy of the U.S. (Europe is being more stingy right now). The faster the U.S. rolls out its vaccines, the more surplus vaccines could end up in the hands of Canadians — a win-win for the country and its airline sector.

Indeed, I think Air Canada is well positioned to benefit from increased discretionary travel once this pandemic is over (or at least limited in scope). We're all itching to get on a plane and go just about anywhere. Investors are betting on this, too.

So, the faster we all get vaccinated, the faster Air Canada investors will pile into this trade. That's something to keep a close eye on, if you're jumping in at these levels.

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