



Air Canada Stock: Should You Buy or Sell Today?

Description

Air Canada ([TSX:AC](#)) is the largest commercial airline in Canada. The stock proved to be rewarding for investors who'd held on or bought in the thick of the Great Recession. Coming into 2020, the company looked poised to build on its dominance in the latter half of the previous decade. Then the COVID-19 pandemic happened.

Today, I want to discuss whether investors should bet on Canada's top airliner. Let's dive in.

The present and future of air travel

In October 2020, I'd [discussed](#) the future for the airline industry. At the time, investors were already dreading the impact that a second wave of the pandemic would have on the broader economy. Canadian provinces would enter another phase of devastating lockdowns. Moreover, the federal government cranked up its restrictions for air travel in the beginning of 2021.

Regardless, shares of Air Canada are still up 70% over the past six months. Canada's top airliner is set to resume flights in Atlantic Canada on June 1. It will also resume service to some sun destinations in the month of May. This will include routes to Jamaica, Mexico, and Barbados. Investors should keep an eye on the airliner opening more routes as we move further into the spring.

Air Canada stock: The case for and against today

Earlier this month, I'd discussed whether Air Canada stock was a [bargain or a potential bust](#). Its stock has climbed 1.4% month over month as of close on March 30. The ongoing negotiations between Air Canada and the federal government spurred optimism in the stock when this month began.

Air Canada and the rest of the domestic airline industry has been hungry for a bailout, as the pandemic has devastated the sector. In early March, it looked like the federal government was nearing a deal with the industry. Unfortunately, it seems those talks have either slowed or stalled in recent weeks. There has been no apparent progress, and Air Canada continues to bleed cash.

The original \$7 billion price tag for the bailout was described as the “floor” by Unifor’s Jerry Dias several weeks ago. Meanwhile, Air Canada and WestJet are also pressuring Justin Trudeau’s government to lay out a plan to safely restart air travel. Indeed, more than a bailout the industry needs a clear path for when operations can get back to normal. Canada has apparently got its hands around vaccine orders, but some provinces are already slipping back into lockdown. If Canada wrestles with another spring and summer of stalled travel, airliners will suffer.

How investors should react in this climate

Air Canada possessed unrestricted liquidity of \$8 billion as of December 31, 2020. The company learned the lessons of the previous financial crisis and boasts a solid balance sheet. However, a bailout and a path forward are sorely needed in the sector. This makes Air Canada a tough call for investors in the early spring. I still like the stock at its current price. However, investors will need to have a strong stomach to weather any potential turbulence. Federal and provincial government planning has been murky and inconsistent. That makes it very tough for investors to speculate on the future of air travel in the months ahead.

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