



Air Canada: Worth a Sizeable Investment?

Description

Air Canada ([TSX:AC](#)) stock has been making headlines of late amid the latest rotation into reopening stocks. The COVID-19 pandemic has weighed most heavily on the airlines, but with the smooth vaccine rollout, the pandemic's end could be approaching, perhaps sooner than expected. As more jabs are given in arms, the more weight will stand to be lifted off Air Canada's shoulders. In the meantime, I suspect the federal government will continue doing its best to help lessen the weight.

Air Canada stock seems cheaper than its U.S. peers

While Air Canada stock seems to have its runway cleared for take-off, I'd urge investors not to discount to the [potential risks](#) in the wildly volatile stock. In the race between vaccines and variants, vaccines look to have the lead, and it may grow considerably into the summer.

That said, some of the more bearish folks out there have floated the idea that AC stock could [plummet to zero](#). Given more clarity on the vaccine timeline and the federal government's willingness to extend a helping hand, I think the odds of Air Canada stock nosediving to zero are near zero.

That doesn't mean you can't lose your shirt with a sizeable investment in the name, however. Vaccines may be winning in its race with variants for now. But this could change at the drop of a hat. Nobody knows if Canada will follow in the footsteps of Israel, where coronavirus cases are tanking, or Brazil, where cases have soared to uncontrollable levels.

Indeed, investors looking to Air Canada stock at this juncture will need a strong stomach to hang on through what could be another year of big ups and downs.

COVID-19: Vaccines vs. variants

Air Canada has lagged some of its more domestically focused peers to the south, making its stock a more appealing catch-up trade for those who didn't get in at the bottom. As an airline with a greater international focus, Air Canada faces a more muted recovery trajectory. But it's a recovery

nonetheless, and current valuations, I believe, could have room to expand as we inch ever so closer to the end of this horrific pandemic.

If I had to guess, I'd say Canada will be in a good spot to ease restrictions going into the summer season. Like last year, COVID-19 cases could plateau at a level such that provinces can proceed with their reopening phases. That could spell good news for Air Canada, as some of the pent-up demand for air travel looks to be met. As time goes on, more jabs will be given in arms, and the closer we'll be to freedom from the insidious coronavirus. In the states, the vaccine rollout is going quicker than expected. And that's good news for transborder flights, as restrictions look to ease going into the summer season.

Foolish takeaway

Things are looking up for the beaten-down airlines, and Air Canada seems like a must-buy for courageous young investors who have strong hands and a long-term time horizon.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date

2025/07/28

Date Created

2021/03/31

Author

joefrenette

default watermark