



Air Canada: A Stock With Tremendous Momentum Today

Description

The [pandemic](#) forced several investors to play defensively over the past years. Indeed, highly cyclical sectors such as airlines have understandably been battered.

However, with [reopening expectations](#) increasing, highly cyclical plays are now back “in” for investors. Companies like **Air Canada** ([TSX:AC](#)) have soared. Indeed, momentum is everything today, and investors are looking to ride the coattails of this surge in economic reopening plays.

Here’s why Air Canada is just the stock Canadian investors should look at right now.

Leisure travel acquisition a strategic thing of beauty

The recent **Air Transat** deal is a testament to the foresight of the management team. Indeed, I’m not the only investor who believes Air Canada got a steal with buying a distressed airline just before the economy is set to reopen.

Indeed, domestic and international lockdowns and restrictions throughout 2020 foiled travel plans for many of us. We’ve been cooped up in our homes and home offices for too long, and the pent-up desire to travel is at all-time highs. Indeed, we may be looking at a once-in-a-lifetime boom in vacation travel as soon as these measures are lifted.

Air Canada understands this. The fact this management team recently completed a \$190 million acquisition of the leisure airlines Air Transat right now is no mistake. Indeed, the company knows this deal could turn out to be the steal of the year (or the decade).

I’m on the same page. I think this deal is a huge one for investors looking for a highly leveraged play on the economic recovery coming out of this pandemic.

Essentially, Air Transat offers tour packages and vacation deals to favourite Canadian destinations. As expected, this company’s core business (and Air Canada’s, for that matter) plummeted during the lockdown. However, it is also one of the strongest reopening plays considering that vacation travel is

expected to flourish post-pandemic.

A bailout is coming

The importance of Air Canada to Canada's transportation duopoly cannot be stressed enough. This internationally focused airline has previously supported the Canadian government on multiple occasions and helped the country's economy survive previous crises. Similarly, the Canadian government has been there for Air Canada when it's needed help in the past.

As such, Canada cannot let its premier airline go bankrupt. Investors are expecting a big bailout to be announced sometime in the near future. Air Canada's importance to the economic recovery can't be understated, and the government won't let this airline fail (or even get close to that point again).

Accordingly, investors can sleep safe at night owning this stock. Air Canada stock today provides a decent margin of safety, with long-term growth upside. For optimists out there, this is one of the premier reopening plays in Canada right now.

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