



## Will Air Canada Stock Soar or Plunge to Zero?

### Description

**Air Canada** ([TSX:AC](#)) stock has been one of Canada's most popular reopening plays this year. The great reopening is just up ahead, and while there could be one more wave of variant-driven COVID-19 cases to deal with, it seems as though investors are looking beyond that to the [better days](#) that lie ahead.

For the airlines, they could be ready for a summertime surge in travel, as many people have likely not seen their families for over a year amid quarantines, lockdowns, and all the sort. The vaccine rollout has been quite slow compared to the United States, but all signs still point to a late-2021 recovery rally that could make the record books. And for firms that had lost the most in 2020, they are likely to finally be looking up after over a year of struggles.

Air Canada is a terrific reopening play, but its latest rally, I think, is at risk of coming to a halt. In prior pieces, I've urged investors not to chase AC stock after its latest run. Although late 2021 could be bright, the air travel stocks are not free from risk, especially as the war between variants and vaccines takes it to the next level.

### AC stock's rally may be about to take a breather

At the time of writing, Air Canada stock is looking fully valued at just north of five times its book value — pretty much in line with the industry average. Given Air Canada is an internationally focused airline in a country where the vaccine rollout has gone slower, I'd argue that AC stock's discount versus some of its better-performing U.S. peers is more than warranted.

The vaccine rollout is going ridiculously fast in the U.S., and the domestically focused airlines have been soaring. Could Air Canada follow in the footsteps of top performers like **Southwest Airlines**, which is on the cusp of a new all-time high? Probably not. I'd argue Air Canada's international focus will render its recovery trajectory more modest.

It'll be an uphill battle for AC stock, and over the near term, I think the risk of a painful correction is high.

## Could Air Canada stock nosedive over the near term?

I certainly wouldn't bet against a near-term pullback in AC stock, given the turbulence we've witnessed from the name in recent months. The valuation has become a tad too rich given the risks amid the stock's latest climb, and the consensus price target suggests there's just 8% worth of upside to be had.

The consensus doesn't tell the whole story, though. Air Canada is a battleground between bulls and bears. Fellow Fool Chris Liew recently wrote a bearish article asking readers if Air Canada stock was still at risk of plummeting to \$0 because of the coronavirus. Another Fool, Chris MacDonald, is [a raging bull on Air Canada](#), noting that the stock was en route to new heights ahead of a big economic recovery. MacDonald sees AC stock continuing to soar.

I think MacDonald is more correct than Liew. Over the long haul, Air Canada is likely to trend higher, but it's going to be a turbulent ascent. As for Air Canada falling to zero, I think that's just unrealistic, even if the bear-case scenario pans out and COVID-19 cases soar again. In any case, I'd much rather wait for a near-term pullback before, perhaps to the low-\$20 range, before getting in.

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