



Why Air Canada Could Stall at These Levels

Description

For investors looking for a high-leverage rebound stock, **Air Canada** ([TSX:AC](#)) has been an excellent option. This stock has rallied of late in a way that has affirmed the optimistic sentiment of the market today.

However, it appears there are some headwinds that could potentially disrupt this company's stock price rally. As such a highly leveraged economic reopening play, if the reopening thesis turns in the wrong direction, the rally could stall.

Accordingly, here are some of the reasons investors may want to be [cautious](#) with Air Canada stock today.

The third wave is wreaking havoc in Canada

A third wave of the pandemic has hit Canada, as the new variant appears to be taking its toll on its population. This reality hasn't spared the sports world as well. According to reports, over 20 members of the Vancouver Canucks (players and coaches) have tested positive for COVID-19. Moreover, it's been reported that the team has been inflicted with one of the more insidious variants.

This news goes well past the sports world. Indeed, these headlines are intriguing to consider and affect sports fans' ability to watch games. But, more importantly, there's real concern that the spread of mutant variant strains could result in another slowdown in the discussion of reopening the economy.

It's also important to note that lives are at stake here. ICU admissions are skyrocketing, as the number of new cases continues to climb in Ontario. Hence, its premier, Doug Ford, was compelled to hastily reverse the reopening and declared a one-month shutdown instead.

This is not a bullish trajectory for the reopening here in Canada.

Air Transat acquisition has been called off

The fact that the European Commission rejected the Air Canada takeover of **Air Transat** (TSX:TRZ) surprised me. Most of this surprise came from the fact the deal had already been approved by Canadian authorities. However, the E.U. believes that this takeover would lead to higher ticket prices and less consumer choice. They want the airline space to remain competitive once this pandemic is over. Accordingly, Air Canada dropped the acquisition when it was informed of the remedies E.U. regulators were looking for.

Air Canada's decision to drop its bid for Air Transat has disappointed many investors bullish on the leverage Air Transat provided Air Canada shareholders to the recovery in leisure travel coming out of this pandemic.

That said, the company's stock price seems to be doing just fine post-announcement. It appears the market continues to remain optimistic about Air Canada's core business prospects in this regard.

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