



## Why Air Canada Stock Could Have Some Big Downside From Here

### Description

For quite some time, I've been building a case for **Air Canada** ([TSX:AC](#)) as one of the top reopening plays on the **TSX**. However, there's reason to be [cautious](#) with this view today.

Indeed, the case can be made that leisure travel will boom coming out of this pandemic. We've all been pent up too long in our home offices and home cities. Going anywhere sounds pretty nice right now.

That said, I think there are two key risk factors investors should consider today. These near-term concerns could put some downside pressure on Air Canada stock over the medium-term. Accordingly, investors bullish on the long-term turnaround coming out of this pandemic may be best-suited by being patient with picking an entry point with Air Canada stock today.

### Air Canada upside may be limited

The recent deal to acquire **Air Transat** (TSX:TRZ) was one I expected to be big for Air Canada. Indeed, Air Transat's growth prospects coming out of this pandemic were huge. As a key player in the leisure travel segment, I viewed Air Canada's move to acquire Air Transat as a good one.

Furthermore, Canadian regulators approved the deal. It all but seemed a certainty that this transaction would take place this year.

However, the recent regulatory review by E.U. regulators has resulted in the termination of this offer. Air Canada was unable or unwilling to provide the remedies European regulators wanted. Accordingly, investors now need to assess the impact this forgone deal will have for Air Canada's growth prospects over the medium-term.

Indeed, it appears the market has taken a rather rosy view of this deal falling through of late. Air Canada's stock has actually traded higher following the announcement.

That said, I remain cautious with respect to the growth thesis for Air Canada absent this deal right now.

## Canada's slow vaccine rollout is concerning

Vaccine rollouts matter for every pandemic reopening play. In the case of airlines, this catalyst is of the utmost importance.

On this metric alone, Canada isn't doing well right now. The country is far behind its developed peers in rolling out vaccines across the country. Indeed, it's a large task to vaccinate a population so spread out as that of Canada's. However, Air Canada's growth thesis relies on this catalyst right now.

I think there's certainly room to be cautious with Air Canada stock in this regard. The domestic vaccination rollout will determine the timing of how quickly the economy, and travel, resumes. And as investors know, timing is everything.

Accordingly, I'm of the belief Air Canada stock could see some turbulence over the near-term. Yes, this is an intriguing long-term reopening play. However, right now, I think the safer thing to do is to remain cautiously optimistic with Air Canada stock.

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