



## Air Canada Stock: Turbulence or Smooth Flying Ahead?

### Description

For a long time, I have been bullish on **Air Canada** ([TSX:AC](#)) as one of the strongest reopening plays on the TSX. With vaccines rolling out and the pent-up desire to travel, it makes sense that the travel sector will soon boom.

However, this isn't a reopening play without risk. Indeed, Air Canada could face some fierce headwinds that could potentially disrupt the recent momentum in Air Canada stock.

For those who are on the fence with this stock, here are two key risks to consider right now.

### Air Transat deal called off

One of the key reasons I've liked Air Canada in recent months has been the company's exposure to leisure travel.

Indeed, I'm expecting a boom in this sector the likes of which we haven't seen in generations. We've all been cooped up too long. I don't know about you, but I'm itching for a vacation. Anywhere sounds nice right about now.

Accordingly, I've been very bullish on Air Canada's deal to acquire **Air Transat**. I thought the company's acquisition price was a steal. Additionally, this deal positioned Air Canada as a real beneficiary of the aforementioned boom in leisure travel I expect to materialize coming out of this pandemic.

However, the move by the European Commission to essentially nix the deal has provided me with some pause. I think investors in Air Canada need to reassess the company's growth potential coming out of the pandemic. And in my view, the growth outlook is downgraded slightly on this news.

That said, Air Canada's stock price hasn't reflected this sentiment of late. It appears investors still believe in this company's core business model. Additionally, the recently [announced bailout](#) by the Canadian government has provided this stock with some additional support.

## The end to the pandemic is in sight, but when will restrictions be lifted?

Optimism today is near all-time highs for reopening plays. Vaccination rollouts are accelerating, and the hope is that we'll go back to normal soon.

However, *soon* is a relative term. For airlines like Air Canada, soon can't come soon enough.

How quickly the vaccine rollout ultimately proceeds in Canada is of ultimate importance to this stock. Right now, Canada's lagging most developed countries on this front. Accordingly, the outlook over the near term doesn't look as rosy as what's being priced into Air Canada stock, in my view.

With a third wave underway, investors will need to assess this key factor moving forward. This is a moving target, so I think there's likely some volatility ahead.

How much in the way of blue skies or turbulence is on the horizon is anyone's guess. However, right now, I think Air Canada is too volatile of a stock to consider at these levels. Accordingly, I'm on the sidelines with this one.

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