



## Why Did Air Canada (TSX:AC) Just Plunge 22%? When Will the Pain End?

### Description

Don't look now, but **Air Canada** ([TSX:AC](#)) stock looks to be nosediving, with shares plunging as low as 22% from its March 2021 high just shy of \$30 to its April 2021 low of \$23 and change. With COVID-19 cases surging in Canada and numerous other parts of the world, the airlines could be at risk of further turbulence. Although the bulls see the light at the end of the tunnel in the summer peak travel season, which could meet the pent-up demand built over the winter and spring months, I think Air Canada stock is at risk of missing out due to the slow vaccine rollout.

Undoubtedly, the U.S. domestic airlines look to be in far [better shape](#), with a rapid vaccine rollout south of the border (they even have some vaccines to spare for Canada). But with uncertainty regarding whether or not we'll have future waves of lockdowns after this third one, I think it'd be a wise idea to be dollar-cost-average into a full position in Air Canada stock if you're so keen on getting in on the top COVID-19 reopening play.

### Air Canada stock: The bull and the bear case. Which is likelier?

There are many bulls and bears on the stock right now. In the bull camp, you've got people who think the third wave will be the last, with a summertime season of relief and a smooth road to normalcy thereafter. In the bear camp, you've got people who think the insidious variants of concern will advance in the race against vaccines and boosters.

There are arguments for both sides. But I think the investors who will stand to make money from Air Canada stock are those who have realistic recovery expectations. Sure, if COVID-19 is conquered faster than expected, we could see the stock blast off past the \$40 mark, the highest analyst price target on Air Canada stock right now. On the flip side, if the pandemic drags into 2022 and Air Canada needs further government financial relief, the stock could plunge to the teens or even the single digits if things get really bad.

Personally, I think the bull and bear cases are low-probability events. Although such scenarios do hold the greatest rewards or penalties. I'm sure you've read [the everything-or-zero headlines](#). While Air Canada stock does have an options-like risk/reward, I don't think investors should view the stock as a

company that'll either soar or implode to zero.

Fortunately for the bulls, I don't think there's a chance that the federal government will let its top airline crash to \$0. It'll probably be there with a new round of financial relief once the balance sheet runs dry. The latest round of relief includes a sizeable investment from the government of Canada with a basis around the \$23 mark. Could the next round of relief come with strings attached? I wouldn't rule it out. With higher risk comes the need to offer a sweetheart deal.

## Foolish takeaway

Air Canada stock is plunging on its latest round of relief from Ottawa and soaring COVID-19 cases. Is this plunge a buying opportunity or the start of a meltdown? I think it's a great long-term buying opportunity. However, in the near term, I expect the stock is at high risk of plunging to \$20, with perhaps a brief moment in the \$19 level, as the bad news continues flowing in.

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