



Air Canada Stock: Will the Bulls or Bears Emerge?

Description

I have remained bullish on **Air Canada** ([TSX:AC](#)), despite the relative roller-coaster ride that's been going on with the company's stock price over the past year.

Indeed, the pandemic was not nice to Air Canada shareholders. This past year has been one of the roughest for Air Canada shareholders in a very long time.

That said, things are looking better today than they have for quite some time. There's now hope that Air Canada can turn the corner.

How will this stock look in a few months' time? Let's discuss.

Serious downside potential is possible

There are certainly reasons to be pessimistic about Air Canada right now.

Indeed, the pandemic is still raging on in Canada right now. This terrible third wave is making it hard for some investors to see through to the other side of the pandemic. Accordingly, the relatively slow pace of vaccinations in Canada leaves something to be desired among airline investors with other global options.

Indeed, given the turbulence we have seen in the recent months, I wouldn't be surprised if we see a short-term pullback materialize for Air Canada. The company's stock has traded within a relatively consistent band of \$22-\$28 this past month. Indeed, a move toward the lower end of this range isn't out of the question.

The company's fundamentals also don't look great right now. On most metrics, Air Canada is trailing the airline industry by a pretty wide margin. Accordingly, bears certainly have the right to be concerned with Air Canada's status as a rebound play right now.

There's still upside

However, there's still hope.

Air Canada's [recent bailout](#) has cast a positive light once again on Air Canada. With the proceeds of this bailout, expectations are that Air Canada will have the liquidity it needs to make it through this crisis.

Additionally, the recovery coming out of this pandemic will come at some point. There's a tremendous amount of pent-up demand for travel that I think will result in some pretty impressive growth over the medium term.

Of course, how quickly this recovery happens matters a great deal for investors. Right now, that's the uncertainty investors have to deal with right now.

I think Air Canada's potential as a top turnaround play still exists. Bulls would agree with this.

However, this happens to be a polarizing stock right now. I think Air Canada's bulls and bears will have a tug-of-war for the time being. Until we have more certainty with respect to the timeline of an economic reopening, I'm going to stay on the sidelines. It's a safer place.

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