



Air Canada Stock: Should You Brace Yourself for a Drop?

Description

Air Canada ([TSX:AC](#)) stock has and will probably continue to be one of the most [turbulent](#) names on the **TSX Index**. It's the ultimate reopening stock, and with the federal government on its side that's more than willing to lend a helping hand with financial support, the name seems like one of the better ways to [outperform](#), as the world kicks COVID-19. Ottawa also has an equity stake in the name and a perceived floor of support at around the \$23 level, so it's not a mystery as to why many hungry Canadians have been tempted to pile in the stock ahead of the so-called Roaring '20s.

There's ample pent-up demand for air travel, and if the performance of many of the American airlines is a sign of things to come, Air Canada almost seems like a must-buy.

Given Air Canada is more of an international airline than a domestic one, it depends not only on Canada reaching herd immunity but the world. The vaccine rollout in Canada hasn't gone nearly as fast as in some other countries like the U.S., Israel, or the United Kingdom. That said, an accelerated effort into the spring and summer could relieve some of the pressures weighing down Air Canada stock, as it looks to capitalize on peak travel season.

In any case, it remains tough to pick a winner in the critical race between COVID-19 vaccines and variants of concern. There's no telling if the summer will be (near) normal due to more jabs being delivered in arms. There's also no telling if another (fourth) autumn wave will happen. Could variants of concern cause another wave in spite of advanced vaccination efforts? It's possible. In any case, Air Canada still faces high-impact, albeit low-probability hurdles en route to normalcy.

Air Canada stock: Is a plunge on the horizon?

Air Canada stock will remain turbulent, but I don't necessarily see a big drop on the horizon, especially as more shots are given, and the country winds down from its horrific third wave. I think the summer season could be kind to Air Canada, despite the slow pace of vaccinations in the country.

That said, the triple-mutant variant identified in India could pose a serious risk to international travel over the coming months. Last year, the summer season was a break from lockdowns and all the sort,

as Canada went into a temporary period of near normalcy. While I do think this summer will be better than last summer, I can't be sure, and that's the biggest risk facing Air Canada stock right now. Will variants or vaccines take the lead going into the summer season?

Another question investors should be asking themselves is whether Air Canada be in a spot to meet the tremendous amount of pent-up air travel demand, as Canadians feel more confident about travel after they receive their first and second doses of vaccine. I'd be willing to bet that sentiment will drastically shift, and people will feel more comfortable getting aboard a crowded tube in the sky after they receive partial or full protection from the insidious coronavirus.

As such, I do not expect Air Canada stock to crumble significantly. However, I think investors should expect turbulence from the name. Fasten your seatbelt.

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