



Air Canada Stock: Where Will it Be at the End of 2021?

Description

Air Canada ([TSX:AC](#)) stock surged an impressive 6.3% on Tuesday on news that the federal government plans to ease restrictions for fully-vaccinated travellers.

With the nation winding down from its third (and worst) wave of COVID-19, the announcement of such lifting of restrictions shouldn't have been such a [surprise](#). As the airlines prepare to meet pent-up demand in what could be a historic peak summer travel season, the second half of 2021 has the potential to be very kind to Air Canada, an airline that's trailed many of its domestically focused peers south of the border.

But with the growing threat of the "delta" variant of concern, could Air Canada really lift off into the stratosphere by year's end with the threat of a potential fourth wave?

Air Canada stock: The race against vaccines and variants remains too close to call

I think investors need to [fasten their seatbelts](#) for some more turbulence. As the vaccine rollout accelerates, the odds of a fourth major wave of lockdowns may appear to be slimming. That said, there's always a chance an undiscovered mutated variant could send us right back into lockdown.

Sure, more jabs in arms and boosters on the way are good news for the riskiest of reopening plays like Air Canada. But, on the flip side, uncontrollable outbreaks in various other parts of the world could pave the way for new variants of concern that could render the current slate of vaccines less effective, perhaps far less effective, such that restrictions may have to be put back into place in the latter part of the year.

It may be too soon to call a winner in the race between vaccines and variants right now. Regardless, longer-term investors planning to hang on for many years should embrace the uncertainty in Air Canada stock by looking to dollar-cost average into a full position over time to better tame the rampant volatility in the name.

What's the bigger risk with Air Canada stock? Getting in too early or too late?

Fellow Fool contributor Daniel Da Costa recently warned investors that getting in too early could lead to substantial losses over the near term, but getting in too late could lead Air Canada stock investors to miss their flight: "So, you want to buy it as close to its recovery as possible. If you buy too early, it could continue to lose value, and you're at risk of more waves of coronavirus, causing another bear market and postponing its full recovery. However, if you wait and buy too late, the stock could rally, and you could miss the recovery potential altogether."

Like with any equity investment, there's downside and upside risk.

For young, venturesome investors who are no strangers to volatility, though, I think the risk of missing out could outweigh the risk of near- to intermediate-term losses. That's why I'm a huge advocate of nibbling your way into a position, with larger nibbles after a substantial plunge in the stock.

If Air Canada stumbles again, I suspect Ottawa will be there — once again — to lend its helping hand. After much scrutiny, Air Canada's top executives handed back their bonuses, which, I believe puts the company back in the government's good book.

Bottom line

After a 6% single-day pop, investors may wish to temper their buying activity and wait for the next significant pullback before adding to their positions.

There's been no shortage of bear market moments for Air Canada stock. Stay patient and be ready to pounce, as there are still many negative surprises that could spark the next bout of turbulence. As for lifting off into the stratosphere by year's end, I think it's unlikely. It could take two to three years for Air Canada stock to skyrocket by to its pre-pandemic highs. If you've got the horizon and the stomach, you have my blessing to nibble, but please be ready to average down your cost basis!

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