



Air Canada Stock: Could the “Delta” Variant Drag it Back to 2021 Lows?

Description

Air Canada ([TSX:AC](#)) stock has been turbulently [flying higher](#) in recent months on the back of continued vaccination efforts.

Peak summertime travel season is quickly approaching, and as more Canadians get their second jabs over the coming months, the environment seems quite bright for air travel. Restrictions are finally easing, quarantine hotels will soon no longer be necessary, and the province of Alberta is slated to remove all restrictions come Canada Day.

Air Canada stock heats up ahead of summer

Canada is reopening for the summer. And things could really start to heat up for the most aggressive of reopening plays like the airlines, as people look to [take to skies](#) again after a year and a half of not seeing family. Over the coming months, Air Canada will face favourable year-over-year comparisons, and it could move the needle on the stock, as domestic air travel bounces back abruptly.

That said, Air Canada is an international airline at heart. And with the insidious “Delta” variant of COVID-19 — the strain responsible for India’s horrific April-June outbreak — spreading rapidly across parts of the globe, investors have the right to be concerned about the growing possibility of a fourth major wave that could accompany travel restrictions and widespread lockdowns.

Air Canada is flying a tad too high given fourth-wave risks

With Air Canada stock flying close to 52-week highs, it seems as though investors have mostly shrugged off concerns about the Delta variant. One of the best year-over-year quarters for the books is right up ahead, and it very well may add fuel to AC stock’s epic rally. But what lies on the other side of this great summertime reopening? Could the Delta variant send us right back to where we were last autumn? Or will accelerated COVID-19 vaccination efforts allow the nation to conquer the insidious coronavirus?

That's the million-dollar question. And unfortunately, nobody can know for sure at this juncture. Breakthrough infections, or infections that happen to fully vaccinated individuals, are slightly higher for the Delta variant. As new variants are discovered, it's quite possible that the efficacy rates on the current slate of COVID-19 vaccines could be further impacted by a few percentage points.

COVID-19: Vaccines versus variants

With booster shots and the prospect of an oral treatment for COVID-19 potentially on the horizon, however, I think the odds of preventing a fourth major wave in Canada is high. Canada is leading the charge with one-dose vaccinations. And Canada may very well be one of the first to conquer COVID-19.

That said, it's going to take more than normalcy in Canada for Air Canada stock to recover to its 2019 highs. As such, I wouldn't get too greedy with Air Canada stock at other investors grow sanguine about the summertime reopening, which could follow a nasty autumn and an ice-cold winter.

The bottom line on Air Canada and the Delta variant

The Delta variant is a real threat, and it shouldn't be discounted. Recently, Dr. Anthony Fauci referred to the Delta variant as the "greatest threat" to America's COVID-19 elimination efforts. Currently, the variant comprises 20% of tested samples in the U.S., and should the Canada-U.S. border be opened prematurely, things could go south for the airlines in a hurry.

In any case, I'd wait for Air Canada stock to cool off before jumping back in. While I don't think 2021 lows of \$20 will be hit again, there seems to be limited upside now that investors have something to be excited about.

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