



## Is it Smart to Buy Airline Stocks Right Now?

### Description

The airline industry was devastated due to the pandemic-fueled lockdowns during 2020. Improving conditions throughout the country with the vaccine rollout and the reopening economy created plenty of anticipation for **Air Canada** ([TSX:AC](#)) stock. Many investors began flocking in droves to buy what appeared to be an [undervalued stock](#) after the beating it took due to the pandemic.

After a respectable rally for several weeks, Air Canada stock has started to take a beating once again. With renewed COVID-19-related concerns in Japan and other countries, investors might be losing faith that the pandemic is finally over. The Delta variant of the novel coronavirus is currently spreading in Canada and the U.S., leading to the proposal of further measures to counteract its spread in the coming weeks.

The latest developments could implicate several problems for the airline sector, which is still not close to recovering from the effects of the pandemic last year. I will discuss Air Canada stock to help you determine whether the [airline sector](#) would be a good place to park your investment capital right now.

### Air Canada is overvalued

While many investors have been bullish on Air Canada stock, some analysts believe that it is in overvalued territory. The argument is that Air Canada stock managed to rally, despite the airlines' consistent struggles. As of the latest quarter, the airline burned through \$15 million a day.

At writing, Air Canada stock is down by over 10.40% since last month. It is possible that the stock could decline further, as the concerning situation with the pandemic continues.

### An argument in favour of Air Canada

While the worries are undoubtedly real, some analysts consider Air Canada stock to be a buy. An analyst from **Bank of Nova Scotia**, Stan Wong, outlined a bullish thesis for the airline stock, saying that the improvements in air travel demand across North America could spell good news for the airline

stock.

North American air travel has a long way to go before it fully recovers to pre-pandemic levels. With 2.4 million daily passengers expected by 2022, it could seem that North American air travel demand could improve significantly. The expectation suggests that Air Canada might be getting over the worst of the pandemic and lead to growth for the company, provided that the situation with COVID-19 does not take another turn for the worse.

## Foolish takeaway

COVID-19 has always been the proverbial sword dangling over Air Canada's head since it began, accounting for a 90% decline in the airline's quarterly revenue. The losses for Canada's flag-bearing airline in 2020 alone were a massive \$4.6 billion. Investors have been betting on the stock in anticipation of the vaccine rollout improving its prospects of recovery. However, a new variant of the virus could disrupt its recovery.

I would suggest being very cautious about [investing in Air Canada](#) stock right now.

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