



Air Canada: How Long Before Shares Recover?

Description

Air Canada ([TSX:AC](#)) stock is under [pressure](#) once again, now down 5% over this past week and down 16% from its 52-week highs. Undoubtedly, concerns over the “Delta” COVID-19 variant of concern have made it tough for the stock to sustain a breakout, despite recent analyst upgrades. While Canada is reopening its doors for the much-anticipated summer travel season, there’s no telling what the [fall](#) will hold.

In the U.K., the Delta variant is causing a horrific spike in cases, despite continued vaccination efforts. Nearly 70% of the U.K. population has received at least one dose, while just over half are fully vaccinated. Despite the impressive inoculation numbers in the U.K., more infectious variants almost seem unstoppable. Undoubtedly, the possibility of a fourth major wave in Canada (and the U.S.) seems to be rising.

COVID-19 variants could induce more waves, despite vaccine efforts

While it’s good to be optimistic as provinces lift restrictions, it’s important to remember that the pandemic isn’t over. In fact, it’s hard to tell when it will end, even with more people getting jabbed by the day. As such, investors shouldn’t look to put too much money on Canada’s most aggressive reopening plays. Sure, you’ll get way more upside in a bull-case scenario. If COVID-19 is eliminated, Air Canada could very well pick up where it left off in 2019. With cases rising in various parts of the globe, though, I think reality is starting to set in for investors who reached out to the riskiest of reopening plays like the airlines.

That’s a major reason why I’ve urged investors to take profits in Air Canada stock over the past several weeks. The bright summer of semi-normalcy could be cut short. And that could spell far more downside for an internationally focused air travel play like Air Canada.

So, when will shares of Air Canada finally see their pre-crash

highs?

I think it will be tough for Air Canada's bottom line to recover, unless the world crushes COVID-19. At this juncture, it could take years before the decimated air travel industry normalizes. In the so-called race between variants and vaccines, I think the variants could pull ahead. Then all eyes will be on the race between boosters and variants.

As the coronavirus spreads uncontrollably in various parts of the planet, the odds of truly horrific new variants, like "Lambda" or "Delta," increase. As too do mutations on top of mutations (think the "Delta Plus" variant). Yes, it's nice that Canada is one of the top performers as far as first doses are concerned, but until the world can follow suit and keep COVID-19 at bay, I think Air Canada will be a turbulent ride, potentially to nowhere.

As such, Canadian investors would be wise to temper their recovery expectations by insisting on a greater margin of safety with Air Canada stock.

Personally, I'd look to be a buyer in the \$15-20 range. Although the federal government is willing to extend credit to improve Air Canada's survivability prospects, I still wouldn't get in because it could, in theory, take many, many years for profits to see those 2019 highs again.

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