



Meme Stock Investors: Air Canada Stock Is the Third Most Shorted Stock in Canada

Description

The search for great [growth plays](#) is on right now. And given the rebound, many investors expect to see in hard-hit sectors pummeled by the pandemic, the pandemic reopening trade has become one of the go-to trades of late. In this regard, **Air Canada** ([TSX:AC](#)) is one such [recovery play](#) that's top of mind for many investors right now.

However, one catalyst many investors aren't pricing in with Air Canada stock right now is a potential meme stock rally. Airlines certainly aren't the top choice for many retail investors and traders right now as stocks that could potentially go on a big rally from here. These airlines tend to have large floats and massive market capitalizations. Accordingly, these are hard to move and require a lot of buying volume to do so.

However, Air Canada's sky-high short interest of late is worth noting. This is a company that's currently pegged as the third most shorted stock in Canada. Accordingly, as we've seen with other highly-shortened stocks of late, anything's possible.

Let's dive into whether meme stock investors should consider Air Canada right now.

Air Canada stock remains relatively under the radar

Air Canada's recent impressive rally of pandemic lows is certainly noteworthy. As a pandemic reopening play, Air Canada has begun to garner some attention from many value investors in recent months.

However, of late, it appears investors have pushed Air Canada aside in favor of other economically sensitive pandemic reopening plays. Cyclical, commodities, and other locked-down sectors have also rebounded. Many of these sectors have outperformed airlines recently, with some investors expecting a continuation of this trade.

Accordingly, it appears short-sellers see a green light to once again short these stocks. Air Canada's

short interest as a percentage of its float has risen to 18.5%. This level is near the higher end of the range in which short-squeeze enthusiasts have typically stepped into such plays.

Air Canada remains a stock with a high percentage of institutional ownership. These groups include the government, via its recent \$5.9 billion bailout. Accordingly, many investors may ignore Air Canada's potential as a meme stock play at these levels.

That said, as we've seen with previous market action surrounding highly-shorted stocks, retail investors have power. Whether retail investors are able to show up en masse in a way that can actually move the needle with Air Canada remains to be seen. However, it's certainly an interesting thesis to entertain.

Bottom line

As vaccinations continue to roll out and border restrictions are loosened, airlines should do very well. A surge in pent-up demand appears to be imminent for airlines. For Canada's largest airline, this is a very good thing.

That said, investors may want to keep their eye on Air Canada stock from a short interest perspective right now. This is a company with tremendous potential to gather some attention as both a pandemic reopening and short squeeze play right now. And in this market, anything's possible, as we've seen of late.

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