



Air Canada Stock Could Heat Up in August

Description

August tends to be a tricky month for stocks, and this year could be one of the most [volatile](#) in a while, with names like **Air Canada** ([TSX:AC](#)) surging and plunging like an endless roller-coaster ride. We Foolish investors will stay invested and embrace such volatility, though, as that volatility can be a friend to do-it-yourself (DIY) stock pickers who can scavenge wreckage in search of the greatest value.

Undoubtedly, 2021 is shaping to be one of the best years for DIY investors who bought on the dips amid “rolling corrections” that passive investors would have missed out on. Sure, we’ve been without a market-wide correction for quite a while. Still, given the rotations and rolling sector corrections we’ve witnessed, I think it’s a wise idea to buy the names on your radar that have already been corrected rather than waiting for Mr. Market to drag the broader basket of TSX stocks below 10%.

In this piece, we’ll have a look at two names that have already been dealt a vicious correction. Could they continue to fall further if that much-anticipated market correction strikes in the second half? Sure, but I’d argue that they’re less likely to fold at the same magnitude as the **TSX Index** or S&P 500. In a way, such corrected stocks have already ripped the band-aid off and are less likely to experience continued pain, even if Mr. Market has a nasty surprise in store for investors this fall.

Air Canada: Should you buy or sell amid Delta variant concerns?

I’ve been flip-flopping between buy and sell on Air Canada stock through most of 2021. The stock has been absurdly turbulent, to say the least, with three (almost four) bear market plunges over this past year. But if you’d bought on dips, as I suggested, and took profits on the surges, you did quite well. Undoubtedly, Air Canada stock has been a great trader’s playground, especially for those leveraging options.

Not much has changed about my original thesis over these past months. All that changed, in my view, is the price. I still view Air Canada as one of the riskiest reopening stocks on the TSX. Like it or not, the world needs to get COVID-19 under control before air travel can fully recover.

Remember, the airlines are the main vector for the [coronavirus](#). And although Canada is doing extraordinarily well at inoculating its population, most of the world has yet to receive both jabs. Many are still eagerly awaiting their first jabs.

As such, Air Canada could take at least two more years to bounce back to pre-pandemic levels. Even with modest expectations for the air travel industry, AC stock is still capable of some pretty incredible returns if all goes well with the global vaccination effort through 2023.

Bottom line

Today, Air Canada stock is fresh off a nearly 19% selloff due to Delta worries. As global Delta cases look to peak, I think Air Canada could make another run for the \$30 level. And if we avoid a wave going into autumn, it could be tough to stop an ascent toward \$40.

Do be careful with Air Canada stock, though. Amid continued unpredictability, the only thing that's guaranteed with the name is more turbulence. All it will take is another variant-driven outbreak to send the name back into a tailspin. My takeaway? Stay contrarian. Add to your stake on dips when pessimism spikes and trim your stake on spikes when pessimism dips.

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