



Why I'm Tempted to Buy Air Canada Stock Today

Description

Air Canada ([TSX:AC](#)) stock has been quite the [ride](#) over this past year and a half. Undoubtedly, investors are likely underwhelmed by the performance relative to some of the U.S. domestic air travel plays and the slew of reopening stocks that not only fully recovered from the damage caused by the 2020 stock market crash, but also proceeded to hit new all-time highs.

Yes, it's tough to justify hanging in there when Air Canada has been such a relative laggard! But I believe that the worst is behind us with this pandemic, and [better days](#) will be ahead for some of the more aggressive reopening plays out there.

In prior pieces, I've stated that Air Canada had a tougher uphill road to recovery versus most of its peers, given its reliance on a recovery in international travel. Vaccine progress has gone very well in Canada and the United States. However, things are far from perfect, given hurdles standing in front of the ultimate goal of herd immunity. That said, things are looking far better in Canada and the U.S. than in various international locations, where many haven't received their first shots yet.

Indeed, a pandemic is a global issue. And Air Canada won't be able to truly take off until COVID-19 is conquered. While COVID-19 is unlikely to be eradicated or even eliminated anytime soon, I think that things will only get better from here, as every day is a day closer to the end of this pandemic.

There's room for optimism, as Canada stares down a fourth wave of COVID-19

It's not just blind faith, though. There is a fourth wave of COVID-19 cases that could be on the horizon here in Canada. As a result, AC stock may very well take a few steps back. But given more people have been vaccinated than during the start of the third wave, I think the fourth wave should be less severe and may not bring forth full-blown lockdowns. That bodes well for firms that need business to stay open to alleviate excessive operational cash bleed.

In the U.K., which is currently winding down from its latest wave of COVID-19, deaths are far lower

than in prior major waves. And that's likely thanks to the adoption of vaccines. While there are breakout cases, it's clear that the vaccines work at preventing people from getting so sick that they need to go to the hospital.

Indeed, it seems like U.S. president Joe Biden is right when he said the situation is evolving into a "pandemic of the unvaccinated." In any case, I think those willing to endure volatility for another 18 months should look to punch their ticket to an internationally focused airline like Air Canada. Why? I think Air Canada has the most room to run, as the world adapts to living with the insidious coronavirus.

Bottom line on Air Canada stock

I no longer view Air Canada as an option on a timely end of the pandemic. Rather, it seems more like a play on continuing to adapt to the new normal. While there is likely to be some international business travel that's gone for good. I'd argue that the likeliest scenario is that we're headed for a partial reversion in mean demand for air travel. It's not going to be a smooth reversion, but it doesn't have to be to send Air Canada stock flying towards the \$50 range.

The way I see it, more people will get the needle with time, which will, in turn, move the needle higher on AC shares. We're not out of the woods yet with this pandemic. But I see a pathway where air travel can sustain a recovery, even if the "new normal" is sticking around for longer.

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