



Air Canada (TSX:AC) Stock: Buy, Sell or Hold?

Description

Air Canada ([TSX:AC](#)) stock has had a fascinating run over the last year and a half. It spent the first few months of 2020 setting new highs, before falling precipitously in the March stock market correction. Starting off the year around \$50, it was down to \$12.4 by mid-March. For a few months afterward, it traded between \$12 and \$16. Then, in November, with the COVID-19 vaccine announcement, the stock began to rally. It did so until it reached a peak price around \$29 in 2021. Then it started selling off again. As of this writing the stock was worth about \$23.

The question investors have to ask themselves now is:

What do we make of this?

It's pretty clear that Air Canada is going to lose a massive amount of money this year, just like it did last year. But on the other hand, the [path to profitability](#) is looking clearer than it did before. It's not easy to know whether to buy, sell or to merely hold this stock. In this article, I'll outline a case for buying, selling, or holding Air Canada stock, without endorsing one action in particular.

Reasons to buy

One reason to buy Air Canada stock right now is that it's on the lower end of its range for the year. At \$23, it hasn't gone lower than it is now in many months. If Q3 earnings are good then it's unlikely that AC will slide lower than this. The downside is that if Q3 earnings are bad then we could start seeing mid-2020 prices like \$15. If earnings are about as expected, the stock will probably continue bouncing around from \$23 to \$29.

Reasons to sell

A major reason to sell Air Canada stock is the possibility of renewed COVID-19 lockdowns. Such lockdowns were the reason the stock fell in 2020, and they could happen again. Just recently a Doctor's group in the U.K. called for renewed lockdowns citing a surge in Delta Variant cases.

Certainly, a case surge could happen in Canada. About 72% of the country is fully vaccinated — 77% if you count people who have received one dose. That leaves about 23%-27% of the country who haven't been vaccinated. Serious outbreaks are still possible, and if the old public health measures return, Air Canada will not return to profitability.

Reasons to hold

One reason to hold Air Canada stock—or conversely, to just avoid it—is the fact that the company's third-quarter earnings are coming up.

This could be a reason for optimism or pessimism depending on how you look at it.

On the one hand, COVID-19 lockdowns were less prevalent in the third quarter than in prior quarters. Travel between Canada and the U.S. was mostly allowed, and several provinces allowed inter-provincial travel without quarantining.

On the other hand, there were still enough public health measures in place in the third quarter to keep air travel lower than in the pre-COVID era. Most likely, revenue will be higher than in [the second quarter](#), but not high enough to make profits possible. This is about what analysts are expecting, and it tends to argue for a stock that will go sideways until some new information is revealed.

So perhaps, it is best for long-term bulls to continue holding AC — and for everyone else to just avoid it.

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