



Air Canada (TSX:AC) Stock: A Top Reopening Play for 2022?

Description

Air Canada ([TSX:AC](#)) stock isn't going to be everybody's cup of tea. Although the stock is [steadily](#) moving higher, with falling Omicron variant fears, it's unclear as to when the top Canadian airline will have the means to sustain a rally back to pre-pandemic highs. Indeed, it could take at least two to three more years for the air travel industry to recover from the COVID crisis. With an overwhelmingly large chunk of revenues derived from international flights, Air Canada's pathway to recovery is a long and likely more turbulent one than that of many domestic airlines south of the border, many of which have performed far better than Air Canada.

Indeed, early data suggests Omicron isn't as virulent as feared. Although more contagious than past variants, the odds of a 2020 type of lockdown seem incredibly low. That's a huge reason why the markets were so quick to [bounce](#) back this past week from a very sharp 4-6% "half correction." Although Air Canada isn't out of the woods, given many more variants may follow Omicron, I think the airline now has the means to sustain a turnaround, even if waves strike every few months over the next year or so.

Undoubtedly, Air Canada is doing its best to adapt in the new normal. As innovations (think treatments, boosters, testing, and all the sort) help combat COVID, I think air travel can sustain a recovery, as the reopening trade slowly gravitates forward, even with the occasional wave-induced step backward.

Air Canada stock: Finally a buy as Omicron fears prove overblown?

There's no telling if there will be more virulent, vaccine-evasive and infectious variants that could rival Delta in 2022. With Air Canada stock fluctuating viciously in the low-\$20 range, it appears that such a variant and further disruption to the air travel industry is already partially baked in. Any such COVID-induced surprises, I believe, are still likely to act as a drag on shares of Air Canada and should serve as great buying opportunities for investors looking to average into a full position gradually over time.

With **Moderna** and **Pfizer** hard at work on COVID boosters and various other treatments (Pfizer has an

oral treatment), Air Canada's recovery trajectory still seems intact. That said, post-Omicron variants could pause such a recovery for around two months or so and are to be expected. Although business travel has likely taken a permanent hit, one has to expect that the magnitude of business travel will make a modest recovery, if not to pre-pandemic levels, to levels that would be enough to move the needle higher on AC stock. More people are getting vaccinated by the day. With boosters, rapid testing, and vaccine passports, Air Canada is well equipped to do relatively well, even if the pandemic lingers for yet another year.

The bottom line on AC stock

Although investors should be in no rush to scoop up Air Canada stock here, I think that from a long-term perspective, the risk/reward scenario is looking quite solid. Just be ready to top-up a position on any dips induced by future variants, as the odds of further variant-driven pullbacks in reopening plays seems quite high.

For now, Omicron is unlikely to send AC stock back to the teens. And with strong technical support, the stock looks like a great partial buy here at \$22.

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