



## Air Canada Stock Could Be on the Cusp of a Sizeable Rally

### Description

**Air Canada** ([TSX:AC](#)) stock has been under a considerable amount of selling pressure for quite some time now. Indeed, it's been quite the rocky road to recovery from the internationally focused airline and most other reopening plays. Now that Omicron cases are falling, with the Ukraine-Russia crisis moving to the top of things for investors to worry about, Air Canada's turbulent ride could easily continue on. In any case, I believe that any swoons in the share price could prove to be a great buying opportunity to long-term thinkers who are willing to hold on for at least another three to four years.

### The current state of COVID

The great economic reopening seems unstoppable at this juncture. Although falling Omicron cases point to COVID going endemic within the next year, it's important to remember that a variant could change things at any time. Black swan events happen.

In the 2020s, they've happened far too often. And that's why it's a wise idea to prepare for the wide range of high-impact, albeit low-probability events, so your portfolio is not left reeling from an exogenous event that nobody was thinking about. Indeed, you can dodge and weave past things on your radar. But the ones outside your radar can really hurt you if you don't have a sufficient cash cushion or are overly exposed to a single source of macro failure. Diversification works — plain and simple.

### Air Canada stock looks cheap, but caution is still warranted

While big investors like Warren Buffett aren't huge fans of overdiversification, I still think that new investors are best served with a diversified portfolio. Indeed, a limited sum of capital should go to one's best idea! That said, few of us have the confidence to concentrate on one single idea. Once a stock goes [south](#), it's easy for new investors to lose confidence! That's why diversification can save one from substantial pain. Seldom are there opportunities that have [a margin of safety that's so wide](#) that one needs to put 20-50% or more of their net worth in.

Back to Air Canada stock. At this juncture, the great reopening seems like a tailwind that could propel the airline back to its highs. That said, I wouldn't concentrate in the stock just yet, as the close isn't clear. COVID risks are discounted, and, as we learned through 2021, it's never a good idea to assume that variants will be less virulent moving forward. Indeed, the trend of more infectious and less virulent variants seems to point to a more flu-like coronavirus that we can live with. Whether or not that's the case, though, is a question mark.

## **Pandemic shift to endemic could send Air Canada stock higher**

In any case, I believe the pandemic will go endemic, thanks to the innovations of various vaccine makers. Booster shots and all the sort can dampen the blow of future waves. And for that reason, I'm incredibly bullish on reopening stocks for the next five years.

Indeed, it will be a choppy next five years for Air Canada, one of the most aggressive reopening stocks on the TSX. That said, I think AC stock is way too cheap for its own good at \$23 and change per share. What will it take for the name to be a high flyer again? It will take the end of the pandemic. Management is incredibly strong, and they deserve a round of applause for navigating through 2020 and 2021.

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