



## Why Air Canada Stock Dived Over 10% on Monday

### Description

### What happened?

Shares of **Air Canada** ([TSX:AC](#)) continue to slide down in March after consistently rising in the previous three months. After declining by 11.2% last week, Air Canada stock dived by 10.5% on Monday to \$19.59 per share, starting the week on a bearish note. With this, it has reached its lowest closing level in over a year. In the last three sessions combined, Air Canada stock has seen nearly 18% value erosion, despite no major change in the main TSX benchmark during the same period.

### So what?

In the last couple of weeks, [the ongoing Russia-Ukraine conflict](#) has been the main focus of global investors. As the war between the two nations continues to escalate, emerging supply concerns are driving the prices of crude oil and other energy products steeply higher. As a result, WTI crude oil prices are now hovering close to their highest level since 2008. Similarly, [jet fuel prices](#) have recently skyrocketed to their highest levels in over a decade.

It's important to note that fuel is one of the biggest costs for airline companies, including Air Canada. And if fuel prices continue to surge, they are likely to badly impact the airline industry's profitability. These worries continue to make investors nervous, triggering a sharp selloff in the shares of airline companies. This sector-wide selloff explains why Air Canada stock dived by more than 10% on Monday.

### Now what?

Air Canada stock's recent downward movement comes as a big blow to investors as they have been waiting for it to recover for nearly two years now. While pandemic-driven shutdowns triggered a big selloff in Air Canada stock in Q1 2020, its struggle for recovery continued in 2021, as new COVID variants kept hurting air travel demand.

Although the recent signs of a recovery in air travel demand have been encouraging for Air Canada, a consistent rally in fuel prices could be a big threat to the company's expected financial recovery. That's one of the key reasons why I would recommend conservative investors remain cautious before investing their hard-earned money in Air Canada in the near term.

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jparashar

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