



Is Air Canada Stock Price Headed to \$15 Per Share?

Description

What happened?

The shares of **Air Canada** ([TSX:AC](#)) plunged by well more than 5% on Monday morning after losing nearly 9% of their value in a previous couple of weeks. By comparison, the **TSX Composite Index** was down by 2.5% this morning. With this, Air Canada's stock price is now hovering at its lowest level since November 2020 of \$19.03 per share — with more than 21% quarter-to-date losses.

So what?

Today's massive selloff in Air Canada stock seemingly has nothing to do with any company-specific negative news. Instead, it's a result of a broader market selloff amid investors' growing concerns about a recession.

On Friday, the U.S. inflation numbers came out much hotter than expected, reaching their highest level in over four decades. The latest data increases pressure on the Federal Reserve to take more aggressive monetary policy action by increasing key interest rates at a faster pace. In a scenario where inflation numbers consistently remain high and rising interest rates continue to hurt consumers' purchasing power, a possibility of an economic recession increases.

[Airline or air transportation](#) is a cyclical industry that falls under the consumer discretionary sector. In tough economic times such as a recession, consumers tend to cut their non-essential and discretionary expenditures like air travel. This is one of the key reasons why increasing possibilities of a recession are badly hurting the shares of airline companies — including Air Canada. With this, AC stock has now lost about 10% in 2022 so far.

Now what?

Air Canada remained one of the most desirable stocks for investors between 2016 and 2019, as it

yielded an outstanding 375% positive returns during those four years. However, COVID-19 suddenly changed its fundamentals in early 2020, as the pandemic forced most nations across the world to impose shutdowns and restrictions on air travel. These restrictions continued to severely affect the financials of airline companies like Air Canada even in 2021, taking its stock down by 7.2% that year.

Amid easing restrictions, overall air travel demand and Air Canada's advance bookings started showing optimistic signs in the first quarter of 2022. However, the troubles for Canada's largest passenger airline company don't seem to be ending soon. As the Russian invasion of Ukraine took crude oil prices higher, investors remain worried that skyrocketing jet fuel costs could steal Air Canada's profits. While this negative factor remains intact, growing fears about a possible recession are now dimming the air travel demand outlook.

Air Canada is continuing to [strengthen](#) its international cargo and freighter network. However, these efforts might not lead to its financial recovery if passenger air travel demand starts falling again. In such a scenario, the Canadian national flag carrier's post-pandemic financial recovery could be delayed further, as it tries to navigate through new emerging challenges. That's why the possibility of Air Canada stock heading towards \$15 per share in the coming months can't be denied completely.

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