



## Why Air Canada Stock Plunged 28% in June

### Description

### What happened?

**Air Canada** ([TSX:AC](#)) stock plunged by nearly 28% in June to \$16.04 per share, marking its worst monthly losses since March 2020 and second worst monthly performance in five years. AC stock continued to fall in all three months of the second quarter, which took its quarterly losses to nearly 34% against the **TSX Composite Index**'s 13.8% drop in Q2.

### So what?

Last month's big losses in the shares of Air Canada could be attributed to the recent macro-level and [airline industry](#)-wide concerns. As inflationary pressures continue to haunt investors across North America, the U.S. Federal Reserve hiked its key interest rate by 0.75 percentage points in June — its steepest rate hike since 1994. The Fed also signaled more aggressive monetary policy moves in the coming months.

While central banks' aggressive approach in the U.S. and Canada might help them fight inflation in the medium term, investors fear that these moves could drive the economy into a recession. In times of a recession, people tend to cut their discretionary expenditures, including air travel. That's one of the key reasons why concerns about a looming recession drove a massive selloff in Air Canada stock in June.

### Now what?

Air Canada stock continues to be among the worst performing TSX stocks since 2020. The global pandemic-driven shutdowns badly affected the Canadian flag carrier's financial growth in 2020, driving its shares down by 53% that year. While investors expected the air travel demand to recover sharply in 2021, new COVID variants forced authorities to extend travel restrictions. That's why instead of posting a recovery, AC stock fell by another 7.2% in 2021.

In the first quarter of 2022, early signs of improving air travel demand helped Air Canada regain

investors' confidence, which drove its stock higher by nearly 15% in Q1. However, factors like rising geopolitical tensions, skyrocketing jet fuel prices, inflationary pressures, and the possibility of a recession turned Air Canada stock negative again in Q2. As a result, it currently trades with more than 24% year-to-date losses. While the largest Canadian passenger airline company continues to adjust its operations in expectation of higher demand, these efforts might not lead to a sustainable financial recovery if a recession hammers the demand again. Given that, Air Canada stock could continue to struggle in the near term.

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