



Will Air Canada Stock Soar or Crash Land in 2021?

Description

In recent months, **Air Canada** ([TSX:AC](#)) has been attracting the interest of retail investors. And for good reason.

Air Canada stock has been touted as one of the top reopening plays on the TSX for quite some time. After facing the wrath of the pandemic, this company has made a strong recovery. Indeed, after plunging more than 70% in March 2020, shares of this company have surged more than 110%. However, it is still trading significantly lower than its pre-pandemic highs.

Will this stock soar or collapse this year? Let's take a look.

Air Canada stock still battling headwinds

For bears on Air Canada stock, there are certainly [reasons for hesitation](#) when considering this airline. The company's ticket refund policy is once again in focus for investors. Why? Well, the U.S. Department of Transportation is looking to impose a fine of \$25.5 million against Air Canada for not issuing refunds to customers. A couple of months back, Ottawa gave Canada's largest airline a relief package worth \$5.9 billion. Out of those funds, \$1.4 billion were earmarked for refunds. However, the issue is the timing of these refunds and when they will be disbursed. Air Canada previously issued credits instead of refunding cash — a move that angered passengers in Canada and abroad.

Secondly, the Canadian borders have yet to open for travel. Restrictions are due to be lifted when Canada hits a 75% fully vaccinated rate. However, at the current pace of vaccinations, it's looking less and less likely we'll see full border reopenings by the end of the summer, as many had hoped. For airlines such as Air Canada, this is a big deal.

How quickly we get back to normal is the real question when deciding whether to invest in Air Canada stock. For bears, there may be too many unanswered questions right now.

There are reasons to be optimistic

Bulls, however, note that eventually, borders will open. And when they do, a surge of demand is likely. Some are expecting to see travel volumes exceed the most bullish analyst estimates by a wide margin. If that happens, Air Canada stock could most certainly continue surging.

U.S. airlines are seeing demand cripple the system right now. The U.S. has reopened at a much faster clip. Therefore, investors can estimate what the impact will be of Canada's eventual opening from looking at what's happening south of the border.

All indications are that the medium-term outlook for Air Canada is about as rosy as it gets. While near-term volatility may persist for some time, there's certainly reason to be bullish on Air Canada stock right now.

Whether Air Canada soars or crash lands remains to be seen. However, this will certainly be an interesting stock to watch this year.

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