



It's Been a Good Week and a Bad Week for Bombardier Inc.

Description

Bombardier Inc. ([TSX:BBD.B](#)) has seen its share of good news and bad news this week. We take a closer look below.

The good news from Europe

As we all know by now, Greece has reached an agreement with its creditors for another bailout package, which keeps the troubled country in the euro. It's debatable just how beneficial this deal is for the people of Greece, but there's no doubt this is a big positive for Europe as a whole. And since it's good for Europe, it's good for Bombardier.

To understand why, let's look at the alternative to this bailout package: Greece's exit from the euro. A so-called Grexit would have been very negative for Europe, which accounted for over a quarter of Bombardier's revenues last year. It's also where Bombardier will be selling a stake in its transportation division to the public.

A Grexit also would have been a negative for oil prices, both from reduced European oil demand and from a strengthening U.S. dollar. That would have hurt the CSeries jets, whose fuel-efficiency advantage is more appealing in a high oil price environment.

So, this bailout package won't provide any boost to Bombardier, but it does mean the company avoids the worst-case scenario. Shareholders can let out a collective sigh of relief.

The bad news from Iran

On Tuesday morning Iran and the so-called P5+1 announced they had reached a deal to curb the country's nuclear program in exchange for rolling back sanctions.

As a result, Iran will have an easier time exporting its oil. The country's oil minister claims that exports can increase by 500,000 barrels per day once sanctions are lifted, and another 500,000 barrels per day in the following six months. Iran also has about 30 million barrels of oil stored on tankers that can be shipped more quickly.

If there's any good news for the oil market, it's that all sanctions will remain in place until at least December. But once Iran starts shipping oil, Saudi Arabia will not want to lose any market share to its geopolitical rival. That's the last thing that the world oil market needs right now.

It's also the last thing that Bombardier needs. It hasn't secured any firm orders for the CSeries since the WTI oil price exceeded US\$95 per barrel.

Where do we go from here?

Overall, this has been a positive week for Bombardier, mainly because the Iranian deal was widely expected to happen anyways. In fact, as of this writing, oil prices have increased slightly since the agreement was signed. Meanwhile, many pundits thought that a Grexit was probable, so avoiding that scenario is a big positive.

Yet Bombardier still has a long way to go, and the CSeries has practically no momentum. You should probably wait before buying any shares.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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