



## Will the Oil Rout Boost Airline Stocks in 2019?

### Description

Airline stocks have enjoyed several years of prosperity, and one of the major factors has been the low cost of fuel since the 2014-2015 oil shocks. This has helped boost an industry that's also benefiting from record passenger traffic. However, fuel costs have climbed in 2018 and are one of [several headwinds](#) for an industry that is especially vulnerable during economic contractions.

The International Air Transport Association recently revealed that jet fuel prices reached a four-year high in the month of October. However, these prices have pulled back sharply in November. If aviation fuel experiences a prolonged decline, this could produce a tailwind for airliners in 2019, and possibly beyond. OPEC members are set to convene in Vienna on December 6, and it is likely that a production cut will be agreed upon to fight back against falling prices.

Today we'll look at two Canadian airline stocks that could benefit from lower fuel prices in the coming quarters.

#### **Air Canada** ([TSX:AC](#))(TSX:AC.B)

Air Canada stock was up 0.99% in late afternoon trading on November 29. The stock is up 9.1% in 2018 so far. Air Canada has managed to power through headwinds to report fantastic results in the first nine months of 2018. In the third quarter the company realized record third quarter operating revenues of \$5.41 billion and record unrestricted liquidity of \$5.31 billion.

Air Canada noted in its report that strong revenues and improved cost efficiencies managed to offset the rise in fuel prices. For the fourth quarter Air Canada forecast CASM, which includes fuel expenses and other special costs, to increase 1.5% to 2.5% compared to Q4 2017. Air Canada projected that the price of jet fuel would average \$0.86 per litre in the fourth quarter. The mid-to-late November plunge has put the price-per-litre below \$0.70, which should give Air Canada an added boost in Q4.

#### **WestJet Airlines** (TSX:WJA)

WestJet Airlines stock has dropped 22% in 2018 as of late afternoon trading on November 29. However, shares have bounced back 6% over the past month. The company released its third-quarter

results on October 30.

Rising fuel costs, which were up 37% year-over-year at the time of the report, combined with a competitive environment and labour unrest to produce more headwinds for WestJet in Q3. The company saw its Q3 profit drop 66% year-over-year to \$45.9 million. WestJet did announce a dividend of \$0.14 per share representing a 2.7% yield, which is small consolation when reflecting on its 2018 stock performance.

Back in early September I'd [discussed](#) which stock was the better option between **Bombardier** and WestJet. I went with WestJet, citing a positive outlook for its Swoop results, but I did not anticipate fuel prices to suffer such a significant plunge in November. Just as with Air Canada, if these low prices hold or the decline steepens WestJet will be a big beneficiary in Q4 and in fiscal 2019.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:AC (Air Canada)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

## Date

2025/08/25

## Date Created

2018/12/01

## Author

aocallaghan

default watermark

default watermark