



## 2 Airline Stocks to Watch as Boeing Co. (NYSE:BA) Comes Under Fire

### Description

On March 10, 2019, Ethiopia Airlines Flight 302 crashed six minutes after takeoff. The aircraft was a **Boeing** 737 MAX 8. Investigators are racing to determine the cause of the deadliest crash in the history of the airline.

This was the second deadly crash to involve the Boeing 737 MAX 8 over the past six months. On October 29, 2018, Lion Air Flight 610 crashed into the Java Sea 12 minutes after takeoff, killing all 189 passengers and crew. Air travel posted the [safest year on record in 2017](#), which is more impressive considering the increase in passenger traffic.

The Ethiopia Airlines crash inspired a rush of countries to ground the Boeing 737 MAX 8 until more information was revealed in the investigation. The 737 MAX 8 has heavier and more fuel-efficient engines, which causes the aircraft to pitch upwards after takeoff. In order to make up for this, Boeing installed the MAX 8 with the Maneuvering Characteristics Augmentation System (MCAS). The program tilts the nose downward, ostensibly to prevent the aircraft from stalling.

In the case of Lion Air Flight 610, the pilots lost control of the aircraft due to a faulty angle of attack sensor. Investigators have yet to determine what caused the Ethiopia Airlines crash, but the flight trajectory is eerily reminiscent of the Lion Air tragedy.

China, Indonesia, and Ethiopia grounded the 737 MAX 8 on March 11, 2019. Europe quickly followed suit. Finally, on March 13, Canada and the United States elected to err on the side of caution and grounded the aircraft.

**Air Canada** ([TSX:AC](#))(TSX:AC.B) operates 24 737 MAX 8s out of a fleet of 400. The company has said that the aircraft will be grounded for at least the next three weeks. Air Canada stock has dropped 3.3% over the past week as of close on March 14. Anxiety over the aircraft has rattled the North American industry. Shares of Air Canada dropping after the accident may seem like an overreaction, but the stock has [hovered around overbought territory](#) for several weeks.

**WestJet Airlines** (TSX:WJA) operates 13 737 MAX 8s out of a fleet of 175 aircraft. The company said that roughly 1,200 of its passengers have been impacted by the grounding so far. A multi-week

disruption is not catastrophic, but WestJet and other airlines are already facing some headwinds to begin the year. Rising jet fuel costs are a concern after airlines enjoyed several years of discounts. WestJet stock has dropped 3.1% over the past week.

Investigations into airline disasters can take months or even years. Tweaks are certain to be made to the 737 MAX 8 no matter how the investigation pans out. Does that mean investors should buy into this dip at Air Canada and WestJet?

Air Canada is still trading at the high end of its 52-week range and remains a pricey buy in the middle of March. WestJet boasts a more favourable price, but the company has posted disappointing earnings of late. Investors are better off waiting on the sidelines in the early spring.

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