



The Best Stock to Short-Sell in 2019

Description

Don't get me wrong; I don't have anything against any of the employees of **Air Canada** ([TSX:AC](#))([TSX:AC.B](#)), its shareholders, or its senior management.

In fact, for those who were fortunate enough to buy a stake in Canada's largest airline at the start of the decade, it's been one heck of a wild ride, with AC shares up an incredible 3,194% since the beginning of 2010.

But all those niceties aside, here's why if I were going to [short-sell one stock on the TSX Index](#) this year, Air Canada would be it.

The Boeing 737 MAX groundings

Granted, this is a development that is completely beyond AC's control, and there's absolutely nothing that management could have done to prevent it.

But the continued grounding of **Boeing's** 737 MAX fleet, Air Canada says, will continue to hamper it even heading into 2020, announcing last week it plans to scrub the aircraft from all scheduled dates until the second week of January.

Despite that the airline is now calling for a 5% boost to its earnings in the third quarter, readers will want to note that expected increase is tied to its own expectations for "adjusted core earnings" rather than the GAAP (generally accepted accounting principles) earnings that publicly traded companies are officially evaluated on.

It doesn't help either that we're now entering what is traditionally the busiest travel season for Canadians in the third quarter, which will only serve to increase the demands already being placed on AC's staff to re-route travelers and employ the use of leased aircraft from rival carriers.

Air travel is among the economy's most sensitive sectors

Nor does it help that markets have been “choppy,” to say the least, so far in August.

Airlines and leisure and business travel in general have notoriously been sensitive to changes in investor confidence, as these big-ticket expenses can, in most cases, be deferred to a later date or even eliminated altogether.

If ongoing trade tensions, tariffs, or the possibility of an abrupt Brexit were to send the economy into a recessionary malaise, airlines like Air Canada could stand to bear the brunt of that impact.

What goes up must come down

Well, it isn't that simple.

After all, stocks of [high-flying growth stocks](#) like **Shopify**, for example, sometimes appear to defy the laws of gravity altogether.

But the fact remains that stockholders in Air Canada have enjoyed a tremendous run over the past decade, and while that's all well and good, if this stock were to begin exhibiting some of the more obvious signs of a rally in fade mode, investors shouldn't be surprised if it were to lead to a more exacerbated and extended sell-off in AC stock.

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