



Why the Air Canada (TSX:AC) Stock Price Fell 22.7% in February

Description

February 2020 will go down in the history books as a month like no other for global stock markets. The coronavirus quickly became a global problem with countries around the world reporting accelerating cases, throwing markets into a state of panic. Broad selloffs ensued.

It is an important exercise to periodically review the performance of our stock holdings as well as those stocks that are on our watch lists. This review should happen at least once a year but also when big stock price movements are noticed.

Let's look at the reasons that **Air Canada's** ([TSX:AC](#))(TSX:AC.B) stock price fell a shocking 22.7% in February.

Coronavirus fears hit travel stocks like Air Canada the hardest

We all know about [the spread of the coronavirus and the fears that are rocking the financial markets](#). The **S&P/TSX Composite Index** was down 6.1% in February, but its fall was nowhere near as dramatic as the fall of Air Canada stock. This is a logical result, as the travel industry is the one that is most directly affected by the spreading of a virus such as the coronavirus, with many people are cancelling travel plans and generally staying closer to home until this blows over.

But Air Canada has already gone through some difficulties, and with expectations on the airliner being so high, it was only a matter of time before reality set it.

Air Canada's stock price gets hit on weaker-than-expected quarterly results and 2020 guidance

Compounding Air Canada's problems, the company reported disappointing results in February that showed moderating growth, rising costs, and lower 2020 guidance. And this was before the extent of the coronavirus spread was known. Adding the negative effects of the spreading coronavirus to the

already problematic issues regarding the grounding of the Max 8 and the service disruptions into China, we can see that this escalation of the coronavirus spread is a big hit to Air Canada.

The latest quarter was the second consecutive quarter that estimates were missed, and with the macro environment deteriorating further, we can easily see the risk and uncertainty in future estimates.

Foolish final thoughts

In closing, I would like to remind Foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth. Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

With a 22.7% fall in Air Canada stock price in February, investors have to be thinking about whether this has created an opportunity for the long term. I mean, the coronavirus scare will dissipate, travellers will travel again, and the world will get back to normal. Last month, I talked about how [Air Canada's stock price performance in January \(-8.6%\) was a sign of things to come](#) and that we can expect more downside for a variety of reasons. After February's fall, the stock is now pretty much flat relative to one year ago.

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