



Never Mind Warren Buffett: Air Canada (TSX:AC) Stock Is a Buy

Description

Don't believe the naysayers. At some point, the economy will get back on its feet. And even before a recovery, people will be taking to the skies again. Here's why **Air Canada** ([TSX:AC](#)) stock is a buy, despite Warren Buffett flip-flopping on aerospace stocks.

Berkshire Hathaway found itself dangerously exposed to a downturn in the aerospace industry after the coronavirus grounded planes around the world. While Berkshire Hathaway has derisked by ditching airline exposure, it still remains exposed via Precision Castparts.

Warren Buffett has gone full bear on flying, though: "We shut off air travel in this country. And what that does to people's habits, how they behave in the future, it's just hard to evaluate. I don't know the answer." One answer might be that the Canadian aviation space is less cluttered than the U.S. one, making for wider economic moats.

Air Canada is the one aerospace stock to own right now

Of course, airlines are at risk of bankruptcy as much as any other player in this field. However, Air Canada is not reliant on giant contracts in the same way that the likes of **Boeing** are. Air Canada can ground its fleet and expect to resume business as soon as governments give the all clear. It's far from ideal, and lost revenue is lost forever. But the stakes are arguably lower than they are for a manufacturer.

Investors should [bet on a recovery](#). Not just a relief rally. But a sustained return to normal operations. Of course, physical-distancing measures will have to be implemented at airports and when traveling on flights. The world will likely never be exactly the way it was before the pandemic. But air travel cannot be halted forever. At some point, Canadians will begin flying again. And when they do, Air Canada will fly them.

It's a fairly simple contrarian thesis on the face of it. Investors trying to navigate the market have been finding it next to impossible to time. Indeed, analysts and asset managers have been advising that investors [do not try to time the bottom](#) of this market. However, a broad strokes approach to the

coronavirus market involves looking towards a total eventual recovery, buying in stages, and going long.

Of course, no investment comes without risk. A personal investment portfolio should therefore be diversified at every level. Just as the stock segment of a broader portfolio should be spread across sectors, such investments should be counterweighted by other asset types. Investors buying stocks should also mix in the best bonds to give a broader mix of stabilizing holdings for the long term.

The bottom line

The key word to investing in the current market is *recovery*, and this is especially the case for airline investors. A certain amount of bullishness is required in order to hold for the long term. Indeed, market volatility is likely to spike again multiple times before the pandemic reaches its conclusion. But by investing in airlines, the average Canadian shareholder can also be part of that recovery process.

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