



## Is Warren Buffett Wrong About Selling Airlines?

### Description

**Air Canada** ([TSX:AC](#)) was already having a bad enough year before the pandemic hit. Just a few weeks ago, shares of the Air Canada stock fell a further 30%. At writing, the stock is down by 70.78% from its January 2020 peak. The stock has been volatile in the recent past, but the pandemic has decimated the stock to terrifying lows.

To add to its woes, Warren Buffett recently began letting go of his investments in the aerospace sector. Warren Buffett's bearish stance on aerospace stocks might be interpreted as a sign for many Canadian investors to ditch the Air Canada stock.

Economies have ground to a halt, and governments around the world have closed their borders. The air traffic for AC and its peers has fallen by almost 90% within a month alone. At writing, the AC stock is trading for just \$15.22 per share.

The question is: Should you follow Warren Buffett and ditch the airline stock, or could he be wrong to be fearful of airlines right now?

### Buffett quits airline sector

[Warren Buffett broke his silence](#) earlier in May when he announced that he made a mistake investing in the airline sector. **Berkshire Hathaway** recently sold off its entire holdings in the top airline companies like **Southwest Airlines**, **United Airlines Holdings**, **American Airlines Group**, and **Delta Air**.

With his stance on airline stocks, could the Oracle of Omaha be expecting further losses for Air Canada shareholders? Airlines are worst-hit during recessions, and it is an industry that burns through billions of dollars each day. However, it is not impossible for airlines to recover.

### The contrarian bet

Unlike the aerospace sector in America, Air Canada enjoys a less cluttered space in this sector of our economy which means it enjoys a wider economic moat compared to its American counterparts. While there is significant risk involved in sticking with Air Canada, investors can bet on a recovery.

I am not simply talking about a rally due to relief efforts; a complete recovery after a return to normal operations is indeed possible. The world won't be the same once the pandemic ends, but air travel can't stop forever, and Canadians will fly again. When they do start flying, Air Canada will likely be the carrier.

Despite all the risks associated with investing in the stock right now, Air Canada does enjoy certain importance for the Canadian economy.

## Foolish takeaway

Air Canada has created substantial wealth for its shareholders in the last 10 years. It was one of the top-performing stocks on the **TSX** in the last decade between January 2010 and December 2019. The stock exhibited a return of a massive 3,700% in that time.

There is [substantial risk in investing in the Air Canada stock](#). I have talked about it before, and investing in the airline right now could be a high-risk maneuver.

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