



## Should You Ignore Warren Buffett and Invest in Air Canada (TSX:AC)?

### Description

**Air Canada** ([TSX:AC](#)) stock has been in trouble for quite some time. It was already in an unfavourable position before the COVID-19 pandemic struck and decimated its earning power by grounding almost all its flights.

There was already a violent plunge on the horizon for the stock, but the lockdown catalyzed it, and the stock has massively suffered.

I did expect the coronavirus to affect air travel, but I didn't anticipate such a massive decline in Air Canada's value. From peak to trough, the airline ended up losing more than 75% of its share price as the global health crisis became prominent.

As things stand, the global demand for air travel is not certain. Even after the health crisis ends, there are chances that people will not be too eager to start flying again too soon. Some believe that it can take as long as three years for airlines to recover from the losses due to the lockdown.

The Oracle of Omaha, Warren Buffett, recently sold all his shares in commercial airline stocks. He even called his decision to invest in airlines a mistake in his latest announcement. The question now is: Should you consider investing in airlines at lower prices for potential long-term capital gains?

### Warren Buffett might be losing his touch

We all know and love Warren Buffett due to his terrific successes as an investor. He is perhaps the greatest investor of all time. However, I think [Buffett might be past his prime](#) when it comes to toying with the stock markets to his benefit.

I would generally advise following his decisions when it comes to adjusting your positions in stocks. However, there is a slight chance he might be wrong about airlines.

Make no mistake: I am not suggesting that Air Canada is a definite buy at its low price right now. However, I believe there is a chance that it can turn out to be an excellent value investment. Warren

Buffett bought airlines months before the pandemic struck. He eventually cut his losses as the companies declined in value and admitted his mistake.

There is a possibility that it was a mistake from Buffett to sell at these depths during the global health crisis. There is massive upside potential for airlines if a vaccine can be found and put into mass production sooner than expected. I would not be too eager to drop any shares in airlines just yet.

Airlines like Air Canada have become speculative investments right now. There is a high degree of risk and reward with AC right now. There are chances that the stock can be completely decimated, and the airline can file for bankruptcy. If the lockdown continues, a government bailout might be the only way to keep the airline from going belly up.

Despite its troubles, however, Air Canada differs from American airlines because it enjoys superior liquidity. It also enjoys a wide moat due to being one of two major Canadian airlines. The federal government isn't likely to let the company go under. A bailout can dilute existing shares, but it can keep the stock from being taken off the **TSX**.

## Foolish takeaway

At writing, Air Canada is down by almost 70% from its peak in 2020. If normal flight operations resume, it can result in [phenomenal returns](#) as the stock recovers. The stock can also decline further if the health crisis persists longer.

Ultimately, only time will tell whether Warren Buffett was right about ditching his positions in airline stocks. If you have plenty of disposable capital and are a younger investor with time to see the long-term fruition of your investments, Air Canada could be a stock you can add to your investment portfolio.

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