



## Airline Stocks: Should You Buy or Sell Now?

### Description

After going through the mills and raising enough cash to survive, despite the constant bleeding, **Air Canada** ([TSX:AC](#)) has opened a new wound itself. The company recently announced a change in refund policy (which previously was no refund at all), to allow travelers from the E.U. (not the other around) to recoup their cash.

This decision is most likely the result of months of the backlash of consumers whose travel plans were disrupted because of the pandemic. Another reason might be WestJet offering a comprehensive refund policy earlier this month. Many people claim that Air Canada's refunds are still not completely in line with the European Commission regulations.

It's yet to be seen how big a dent it would put on Air Canada's rapidly depleting treasure chest. But that's sure to weaken Air Canada's liquidity, at least on a fractional level.

### Should you buy or sell airline stocks?

Air Canada's price has been weakening for a few weeks now. The company is criticizing the government's restrictions, saying that they are not in coherence with what the rest of the world is doing, and it's making it harder for the airline industry to recover any sense of normalcy.

In Europe, many people are anticipating a second wave of the coronavirus. Some European countries are considering barring American travelers, seeing as it has become the new hot spot of the pandemic, and a wave of travelers can certainly augment the rekindling of the second wave of the pandemic.

None of these factors bode well for the airlines. But selling at the current valuation would be folly, especially for people who'd bought into the company at its pre-pandemic prices. They have already lost the bulk of their portfolio growth, and even if it's a coin-toss between holding on to it at the risk of losing it all and selling at a massive loss, the former might be the more pragmatic choice.

As for buying, neither [Air Canada](#) nor other airline stocks can be pegged for a sure and swift recovery. Air Canada's chances of recovering are the best, but it will be a very long and bumpy road. And you can put your money on much better stocks.

## Hold on to the crashing giant!

The best course of action might be to hold on to the crashing giant. Currently, the scale is tipped more towards slow, eventual recovery than a certain bankruptcy. Though a powerful second wave can tip the scales the other way, we're not there yet.

Holding on to it and minimizing your losses by selling at a better price in the future might be the best option. The company is struggling, but it is likely to emerge on the other side of this mess, with or without the government's intervention.

## Foolish takeaway

Buying airline stocks only because they're trading at historically low prices might not be a very good investment strategy right now. If you are ready to tie your capital to Air Canada, hoping that it would double in value in about two or three years, there might be [other stocks](#) with less risk and uncertainty surrounding them that you can choose.

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**Author**

adamothonman

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