



Air Canada (TSX:AC) Stock Investors: Time to Sell?

Description

Air Canada ([TSX:AC](#)) investors should be nervous. The coronavirus rages on globally, keeping a tight lid on air traffic. Last quarter, the company cut 95% of its capacity. This summer, flight numbers remain more than 50% below their pre-pandemic highs.

But isn't this the time to buy? As Baron Rothschild once said, buy when there's blood in the streets. Shares trade at multi-year lows. A simple reversion to the mean could add 250% in near-term upside.

Yet there's another popular saying we should all keep in mind: "Only when the tide goes out do you discover who's been swimming naked." Warren Buffett is responsible for that one. His wisdom should never be ignored.

When it comes to airline stocks like Air Canada, Buffett remained highly skeptical for years. One of his chief worries was that the tide could go out at any time.

Whether that means a terrorist attack, climate regulation, new competition, or a sudden surge in fuel price, the industry has always been [vulnerable](#). The COVID-19 crisis was unprecedented, yet it's unknown factors like this that make airlines so volatile.

If you own airline stocks like Air Canada, it may be time to sell. But before you do, understand the key facts below.

Fasten your seat belts

Airlines were originally projecting a V-shaped recovery following the initial COVID-19 wave at the start of 2020. They believed that high-margin business travel would buoy demand. Those hopes were quickly dashed.

In recent weeks, anticipation for a business travel rebound sent airline stocks higher, including Air Canada. Yet again, investors were left disappointed.

“The industry is counting on corporate travel to boost revenue in the fall and winter. Yet signs of a comeback in business travel are looking increasingly remote,” [reported](#) *Barrons* last week.

“We see an uncomfortable reality brewing within the rhetoric of many global companies, particularly in our own financial services sector: We are going to all be at home a lot longer than we currently anticipate ... and many of us will never return to office-based work at all,” added **Citigroup**’s Mark Manduca, throwing cold water on a rebound in business air travel.

Even Air Canada now thinks that a recovery will take years to unfold.

“It is our current expectation that it will take at least three years to recover to 2019 levels of revenue and capacity,” warned its CEO on the latest conference call. “We expect that both the overall industry and our airline will be considerably smaller for some time.”

Should you sell Air Canada stock?

The CEO of **Delta Air Lines** is even more pessimistic, believing that the industry will be “permanently smaller” as a result of COVID-19.

If you still own airlines stocks with hopes of a quick rebound, think again. No one knows where the industry will ultimately end up or who the winners and losers will be. All we know is that uncertainty is rampant. Airline stocks will remain volatile for years to come.

Unless you’re content with owning a lottery ticket, it’s time to ditch Air Canada shares.

CATEGORY

1. Coronavirus
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Tags

1. Editor's Choice

Date

2025/07/05

Date Created

2020/07/15

Author

rvanzo

default watermark

default watermark