



Should You Defy Warren Buffett and Buy Air Canada (TSX:AC)?

Description

Warren Buffett is done with the commercial airline stocks after having sold out his entire stake in various U.S. airlines, so there's probably zero chance he'd be interested in scooping up shares of **Air Canada** ([TSX:AC](#)) today.

Although the Canadian airline is one of the few commercial air travel stocks that were [in the green](#) on an otherwise down Monday for the airlines despite promising coronavirus vaccine news, the highly-liquid Air Canada still looks like it's in the no-fly zone for Warren Buffett followers.

Has Air Canada lost too much altitude?

While shunning Air Canada and its peers may seem like the best course of action for most investors, most seasoned young investors would be better served by defying the Sage of Omaha by going long on Air Canada shares for the [multitude of upside](#) that could be possible on the advent of an effective COVID-19 vaccine.

Just because Warren Buffett was no longer aboard airline stocks doesn't mean you should be, especially if you're a younger investor who has the ability and willingness to take on elevated risks.

If you've got the temperament to brace yourself for a turbulent ride and possess a good understanding of the industry amid this unprecedented crisis, why not invest in a turnaround play like Air Canada?

I'd encourage younger investors such as millennials to take on risks if they have conviction in their thesis. Sure, it'll likely take an elimination of the coronavirus (via vaccine or aggressive containment measures such as quarantines and mandatory mask-wearing) for airline stocks to correct to the upside.

But given that **Goldman Sachs** is bullish that a coronavirus vaccine will be approved before year-end, I'd say the risk/reward is tilted in favour of the investor and that it's not as reckless as it may seem to join the likes of other millennials into the speculative, but compelling industry that could stand to enrich many contrarians who understand what they're signing up for.

Warren Buffett could be proven wrong about the airlines like Air Canada

For the airline bulls, there's no question that it's tough not to have Warren Buffett standing in your corner anymore. But for every big-league investor who's bearish, there's bound to be one that's bullish.

"Consider legendary investor (and founder of Miller Value Partners) Bill Miller, whose claim to fame is beating the **S&P 500** for 15 consecutive years between 1991 and 2005. The man knows how to beat the market like it's nobody else's business. So, when the man speaks, it can pay dividends to listen up, even if what he says goes against the legendary Warren Buffett," I wrote in a prior piece.

"Miller is a raging bull when it comes to the airlines, going as far as saying that investors who don't own them are 'making a bet against the [coronavirus] vaccine' in a virtual round table hosted by Ariel Investments. Miller notes that people 'love flying' and that once a vaccine lands that the air travel industry will come back 'very, very quickly.'"

As much as I hate going against Warren Buffett's viewpoint, I think Bill Miller may be right on the money. And if a vaccine is ready for broader distribution that airlines could be hitting the skies a lot sooner than most analysts think.

If a bull-case scenario plays out for the airlines and people can get vaccinated in 2021, the airline industry could face a correction to the upside that could be almost as unprecedented as its collapse earlier in the year.

Foolish takeaway

If you're a young investor, make sure you understand the full extent of the risks and place your bets accordingly. While Air Canada has done a stellar job of improving its survival odds amid this crisis, with capacity cuts, liquidity raises, and all the sort, one must not rule out a bear-case scenario whereby airlines, including the highly liquid Air Canada, could go bankrupt.

If you're comfortable making an all-or-nothing bet with a portion of your portfolio, only then should you seek to defy Warren Buffett by buying airline stocks at these depths.

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