Many Investors Sold Their Airlines Shares at the Worst Possible Time

Description

Even the smartest veteran investors make miscalculations when they buy or sell stocks. Legendary investor Warren Buffett was among the first to ditch airline companies when COVID-19 struck. He believed border closures and travel restrictions would cripple the airline industry. Mutual fund companies and other luminaries in the investment world also bailed out.

The GOAT of investing was correct because airline operations were severely affected. **Air Canada** (TSX:AC), for example, broke its record of 27 consecutive quarters of profits due to the global pandemic. Canada's flag carrier reported massive losses for the full-year 2020.

Rebound from the pandemic

The action of Buffett and others regarding airline stocks could be panic-driven. Currently, the same rejects are flying high. The big four in the U.S., **American Airlines**, **Delta**, **United**, and **Southwest**, are soaring by not less than 70% in 2021.

It appears the airline industry is gamely recovering from the COVID-19 fallout. Business activities could perk up due to the ongoing vaccinations and fiscal stimulus package. Industry experts now see air traffic, domestic and international, to return to pre-corona levels by 2023.

Still on hiatus

The shares of Air Canada are up 17.7% year-to-date. A federal bailout or loan is in the works, although everything still hangs in the air. Flight restrictions are in effect until April 30, 2021. While waiting for something concrete, the integration with Cargo.one is coming.

Air Canada will become the first North American carrier to have its capacity available on the airfreight booking tool's platform. The definitive agreement between the two companies aligns with Air Canada Cargo's rapid cargo network expansion.

Regarding passenger travel, Air Canada hopes to restore some service along routes to Jamaica, Mexico and Barbados in early May 2021. All flights to sun destinations have been suspended since January 2021 at the request of the federal government. For investors, the obstacles to growth remain blurry. Maybe things will change for the better in the summer.

Cargo steamroller

Meanwhile, **Cargojet** (TSX:CJT) appears to be a better choice. You can buy on the dip before the stock flies high again. The share price is down to $162.38, or a year-to-date loss of 24.30%. However, market analysts are bullish. They forecast the price to soar between $258.73 (+59%) and $315 (+94%) in the next 12 months.

With global supply chains under siege during the pandemic, the demand for air cargo transport increased enormously. Cargojet suddenly became the hottest **TSX** stock in 2020. The industrial stock rewarded investors with a total return of 109%.

The e-commerce boom is also the game-changer for the airfreight market. Even before the pandemic, e-commerce was already at the coattails of brick-and-mortar stores. Now, market observers are 100% sure the e-commerce industry will dominate in the next few years.

Cargojet stands to benefit from its strategic partnership with **Amazon.** The American e-commerce giant has a 9.9% stake in Canada's top air cargo mover. Furthermore, expect Cargojet to achieve optimum fleet utilization due to the Amazon loads. It can also pursue its grand ambitions to add more non-flights to other major cities.

Contrasting outlooks

Air cargo has a better outlook than passenger travel. Cargojet is cementing its foothold in the air cargo industry, while Air Canada is a work-in-progress. Investors can easily pick which one is the no-brainer buy.

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