



Why Bombardier Stock Dived 18% Last Week

Description

What happened?

Shares of **Bombardier** ([TSX:BBD.B](#)) tanked by 18% last week to close at \$26.37 per share to post its biggest weekly losses since January 2021, making it the worst-performing **TSX Composite** component for the week. By comparison, the main Canadian market index fell by 4.7% last week. After last week's big losses, Bombardier stock now trades with 37.2% year-to-date losses.

So what?

In the week ended on September 23, the U.S. Federal Reserve continued to raise key interest rates by 75 basis points for the third consecutive time. Rapidly rising interest rates in the United States and Canada have reignited debate about a possible moderate recession in the short term and led to a [market selloff](#).

Last week's massive drop in Bombardier's stock price could be attributed to investors' rising recession fears. Also, concerns that continued inflationary pressures could hurt the Canadian business jet manufacturer's financial performance in the coming quarters by inflating its costs seem to be taking a toll on investors' sentiments.

Now what?

After facing COVID-19-driven challenges in 2020, Bombardier managed to significantly reduce its losses last year. Notably, the aircraft company reported an adjusted net loss of \$3.75 per share in 2021 against losses of \$11.75 per share in the previous year. This is one of the key reasons why Bombardier's stock price jumped by 250% in 2021 after losing nearly 75% of its value in 2020. While moderate recession could increase its challenges, recent improvements in its aircraft and services pricing should help protect its margins, despite high inflationary pressures in the coming quarters.

Moreover, I expect its recently introduced Global 8000 aircraft, which the company claims to be the

world's fastest and longest-range purpose-built business jet to help Bombardier accelerate its financial growth in the coming years. While the Global 8000 aircraft is still being developed and expected to enter service in 2025, the company has already started receiving a tremendous market response for it. Given all these positive [fundamental](#) factors, a continued drop in Bombardier stock could be an opportunity for long-term investors to buy it at a bargain.

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