

# U.S. airline stocks surge as investors shrug off 3000 flight cancellations

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Airline investors shrugged off thousands of U.S. flight cancellations over the holidays even as airlines' rough start to 2022 got worse.

Carriers scrubbed more than 3,100 U.S. flights on Monday — the biggest daily total since Feb. 15, according to airline data provider FlightAware. That was on top of more than 5,400 over the weekend, driven largely by severe winter weather that has hobbled some of the country's busiest airports from Seattle to Washington D.C, and a surge in Covid infections among flight crews.

Operations appeared to be improving, however, with 400 flight cancellations set for Tuesday.

Over the holidays, carriers including Delta Air Lines, United Airlines and JetBlue Airways said crews were increasingly out sick from the fast-spreading omicron variant of Covid. The Federal Aviation Administration also warned about delays as its staff increasingly tested positive for the coronavirus.

Delta said it expects to cancel about 200 flights a day on Tuesday and Wednesday, out of about 4,000 daily departures.

United, Spirit and Alaska are among the airlines that offered crews extra pay to pick up trips to ease the disruptions.

From Christmas Eve through Tuesday, airlines canceled more than 18,700 U.S. flights, according to FlightAware. More than 12% of scheduled flights on Saturday were canceled as a winter storm hit the Midwest and nearly 11% of Sunday's were also called off.

But airline shares rallied on Monday, a sign investors are looking ahead to the rest of the year, when travel demand is expected to rise. American's shares rose 4.4% to \$18.75, United gained 3.9% to close at \$45.49, and Delta added 3.1% to end at \$40.29.

Shares of Southwest Airlines, which canceled hundreds of flights over the past few days, rose 2.7% to end the day at \$44. The Dallas-based airline canceled another 605 flights Monday, or 16% of its schedule, FlightAware data showed. Southwest said bad weather left planes and crews out of position, with some employees unable to work at a regular pace.

“Canceling hundreds of flights causes disruption across our operational system,” the airline said Monday in a statement. “The storm has cleared Denver, for example, but the extreme cold requires additional safety protocols for our People working outside there, slowing the operation, causes delays and forcing some cancelations to keep the entire system moving.”

Regional airlines, which fly smaller aircraft for larger carriers also posted hundreds of cancellations. SkyWest dropped 379 flights, or 16% of its Monday schedule, Republic canceled 26% or 289. American Airlines-owned PSA cancelled 210, more than a quarter of its schedule, while Delta’s Endeavor Air cancelled 170 flights, about a fifth of what it planned to fly.

The cost of the disruptions isn’t yet clear. The holiday period was crucial for carriers whose executives expected some of the busiest days since the pandemic began.

The omicron variant could present a “modest, near-term risk” for airlines due to staff quarantines and the potential that some customers delay trips, wrote Citigroup airline analyst Stephen Trent on Monday.

“Nevertheless, higher vaccination rates and emerging anti-viral treatments are just some of the factors that could make negative, knee-jerk stock price reactions to the emergence of future variants look increasingly unreasonable,” he wrote.

Delta kicks off the sector’s quarterly earnings reports on Jan. 13.

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