

AirAsia shares lose 8% in Malaysia after jet disappears

Shares in AirAsia, Southeast Asia's biggest budget airline, lost almost 8% in Kuala Lumpur on Monday after one of its jets disappeared with 162 people on board.



The firm slumped 12% to 2.60 ringgit at the open but recovered slightly to sit at 2.71 ringgit, still down 7.82%, at 0600 GMT.

The Airbus disappeared en route to Singapore from Surabaya in Indonesia's east Java after the crew requested a change of flight plan due to stormy weather. Indonesia's National Search and Rescue Agency said it is likely at the bottom of the sea.

A local broker told AFP investors were continuing to sell AirAsia shares. But selling pressure appeared to be abating as they digested the fact that the missing plane belonged to the Malaysian firm's Indonesian unit.

Shukor Yusof, founder of aviation research firm Endau Analytics, said investors and creditors would remain firmly behind AirAsia and its CEO Tony Fernandes, who transformed a floundering carrier into Asia's most successful budget airline.

"The market reaction is quite natural. I am not surprised," he said.

"I think investor confidence will return quickly since the airline has a solid business model."

Indonesia resumed a sea and aerial search at dawn Monday for the Airbus A320-200 plane that went missing in the Java Sea Sunday morning. Economist Yeah Kim Leng, dean of Malaysia University of Science and Technology School of Business, said any impact on the share price would be short-lived.

"This incident will not dampen air travel on AirAsia because it is a budget carrier which appeals to the mass market amid growing affluence in the region," he said.

AirAsia, which has never suffered a fatal accident, said the missing jet last underwent maintenance on 16 November.

The plane's disappearance comes at the end of a disastrous year for Malaysian aviation.

Malaysia Airlines Flight MH370 disappeared en route from Kuala Lumpur to Beijing in March with 239 passengers and crew, and in July flight MH17 was shot down over troubled Ukraine with the loss of all 298 on board.

AllianceDBS downgraded AirAsia shares from buy to hold for reasons unrelated to the disappearance, saying the company's debt burden would be heavier next year as the US dollar strengthens.

Analyst Tan Kee Hoong said that with most of AirAsia's borrowings denominated in dollars, the weaker ringgit would lead to more expensive repayments.

In addition, the airline may not fully benefit from lower oil prices because management had indicated that some of the fuel cost savings will be passed back to consumers via lower fuel surcharges, he said.

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