



Warren Buffett Stocks You Shouldn't Be Buying Right Now

Description

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Warren Buffett's stock-picking prowess is envy-inspiring, but his recent comments to **Berkshire Hathaway** ([NYSE:BRK-A](#)) ([NYSE:BRK-B](#)) investors suggest to me that Main Street investors ought to press the pause button before buying shares in **IBM Corp.** ([NYSE:IBM](#)), **Apple Inc.** ([NASDAQ:AAPL](#)), and individual airline stocks, such as **United Continental** ([NYSE:UAL](#)).

Valuation prompts selling, not buying

IBM has been pushing hard into next-generation, cloud-based solutions, but despite fast growth in these strategic segments, the company's legacy businesses continue to falter, and that's weighing down sales and profit.

Warren Buffett has been one of IBM's biggest supporters, but last weekend, he admitted he's cut his massive stake in IBM shares by one-third. He remains one of IBM's biggest shareholders (Berkshire Hathaway owned about 81 million shares exiting the first quarter), but in the past, when he starts selling, he continues selling until he doesn't own any more shares ([exhibit A: Wal-Mart](#)).

In explaining his decision to sell a big chunk of his IBM shares, he explained that once shares hit \$180, he felt they were valued at levels that made sense to sell, not buy. He also acknowledged on CNBC last week that IBM has "run into some very tough competition."

IBMs shares have fallen to about \$151, and when Buffett was asked if he's selling more shares at these prices, he replied, "I don't think we will be selling." The word "think" leads me to believe he's not against the idea, and it suggests to me that if shares climb, he could sell more of his position. Since he's still sitting on over 50 million shares, the risk that he'll sell on a rally makes buying IBM less attractive to me.

No longer cheap

Buffett's made a lot of money buying Apple, but his recent comments about the company's valuation suggest he's sitting on his current position, not buying more shares.

He first bought Apple stock after weak iPhone sales caused shares to drop in 2015. At those post-drop prices, Buffett said last week that Apple "didn't have to do a lot better in the future than they were doing at the current time" to justify the price he was paying.

Today, that may not be the case anymore. Buffett probably isn't going to be selling his Apple shares anytime soon, but he was noncommittal when he was asked last week if he's still a buyer. Instead, he hinted that buying Apple at today's prices is difficult, because, in his words, "I'm cheap ... and there's always an anchoring problem with buying stocks. We used to buy 'em, at X, and actually it's harder to buy 'em at higher prices."

Apple's shares are up 68% since last April, so it's understandable that Buffett might be struggling to justify paying more to buy Apple shares today. After all, he owns a ton of shares already. According to filings, he's got \$19 billion riding on the company.

Overall, while Apple is a Motley Fool recommendation, his comments suggest to me that if you're long Apple already, the best bet is to stay put. If you haven't bought it yet, perhaps waiting until valuation gets Buffett-worthy is wise.

Investing in individual airlines is hard

Buffett surprised everyone when he became a [big investor in America's biggest airlines](#), including United Continental, last year. His buying was arguably out of character, given that he's joked in the past that a surefire way to become a millionaire is to start out as a billionaire and then invest in an airline.

Perhaps that's why he decided to buy a slate of airline stocks, rather than concentrate his risk in just one of them. After all, he describes his past investment in U.S. Air, an airline that went broke twice, as a "really dumb investment."

His interest in airline stocks nowadays isn't a mystery. Bankruptcies and mergers have removed excess capacity and boosted load factors, improving pricing power, and undeniably, that's helping airlines deliver greater growth.

However, airlines still face inherent risks that make picking individual airline stocks hard, and it isn't easy for individual investors to diversify across the industry the way Buffett did. Furthermore, I don't think airlines will be a long-term investment for Berkshire Hathaway. Instead, I think it's more of an opportunistic investment that's similar to how Buffett has invested in oil stocks in the past.

Despite its changes, the airline industry remains fiercely competitive, and price transparency removes a lot of an airline operator's ability to price seats at a premium to its competitors. The industry also faces risks associated with payroll costs and volatile jet-fuel prices. Furthermore, innovation is difficult, because the minute one airline does something right, it's bound to be copied quickly. In short, while airlines enjoy tailwinds because of a strong economy, there's no shortage of things that could go wrong and ultimately make these stocks less attractive to Buffett.

If I'm right, then Berkshire Hathaway could as easily become a seller of these stocks in the future as it was a buyer, and Buffett will have sold his position long before you get a chance.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AAPL (Apple Inc.)
2. NYSE:IBM (International Business Machines Corporation)

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