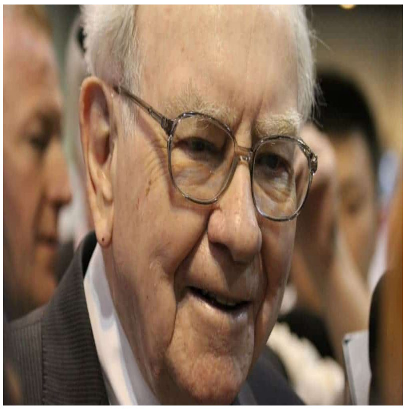

Market Crash: Warren Buffett Is Betting Big on This Sector Right Now!

Description

At the onset of this market crash, I'd focused on how investing legend [Warren Buffett was responding to the crisis](). Buffett is no stranger to making big bets on troubled sectors. Back in 2017, Canada housing was in flux. **Home Capital Group**, one of the top alternative lenders, was facing total collapse. Buffett's company **Berkshire Hathaway** came to Home Capital's rescue in June of that year. It shares would rebound, and Berkshire bowed out in December 2018.

Today, I want to look at another sector that is facing a crisis due to the COVID-19 coronavirus outbreak. How should investors approach airliners right now? Moreover, should they mirror the moves of Buffett? Let's dive in.

Coronavirus impact on air travel

Some experts have projected that the early impacts of the coronavirus outbreak could be as damaging as the 9/11 terror attacks were on the airline industry. In that instance, it took roughly half a decade for the industry to return to profitability. Back in January 2019, I'd discussed why airliners were particularly susceptible to economic turbulence.

The International Air Transport Association recently projected that global airlines stand to lose $113 billion in sales if the coronavirus continues its rapid spread. This is a vast increase from the IATA's projection two weeks ago of a $30 billion loss. It illustrates just how quickly the situation can change. The IATA says that airlines could lose 19% of their business if COVID-19 is not contained soon.

This ominous projection has inspired many analysts to downgrade airline stocks. However, one of the top minds in the industry has made a big contrarian bet.

Buffett bets big on Delta Airlines

Bloomberg News recently reported that Warren Buffett acquired more than 976,000 **Delta Air Lines** shares for approximately $45.3 million, citing a regulatory filing. Berkshire Hathaway first bought Delta shares back in the third quarter of 2016. This swells its holding in the company to over 70 million shares. Delta is the biggest position among airlines, but it also holds significant stock in United Airlines, **American Airlines**, and **Southwest Airlines**.

Canadian investors who are looking for an alternative do not have to look far. **Air Canada** (TSX:AC)(TSX:AC.B) has been a dominant growth stock on the TSX over the past decade. Its stock climbed to record highs of over $50 in early 2020 before succumbing to this broad market sell off. This represented a massive turnaround from its state at the beginning of the 2010s, when the stock dropped below the $1 mark.

Since then, Air Canada has dramatically improved its balance sheet and its earnings have been stellar over the past half decade. It and other airliners have benefited from the improved operational costs that came with the big drop in fuel prices in the middle of the 2010s. As of this writing, Air Canada stock has a very favourable price-to-earnings (P/E) ratio of 6.1. It shares last had an RSI of 20, putting it in technically oversold territory.

Investors who are chasing income may want to consider **Chorus Aviation**. This company provides aviation solutions throughout Canada through its subsidiaries. Its stock last possessed an attractive P/E ratio of seven and a price-to-book value of 1.7. Shares of Chorus were also deep in oversold levels with an RSI of 14. Chorus last paid out a monthly dividend of $0.04 per share, which represents a monster 8% yield.

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