



## What Is Warren Buffett Buying During This Market Crash?

### Description

Warren Buffett hasn't earned the moniker "Oracle of Omaha" for nothing. Over the past six decades, Buffett has built an investment empire that's one of the largest in the developed world and continues to be an active investor in American and Canadian stocks.

However, this week started off on a sour note for the Oracle. Buffett lost between 5% to 52% in some of his largest holdings on Monday alone, as global stock markets had their worst day in a decade. His experience hasn't been all that different from the average investor. "If you stick around long enough, you'll see everything in markets," Buffett told *Yahoo Finance* yesterday.

However, while Buffett faces the same challenges as everyone else in this tumultuous bear market, he's likely to react very differently. Here's how he's reshaping his portfolio during this crisis and what you can do to mimic some of his moves.

### Deploying cash

Unsurprisingly, Buffett was well-prepared for a sudden correction. One-third of his portfolio, about [\\$128 billion](#), was held in cash and cash equivalents last month.

Considering the fact that he hasn't announced a major acquisition yet, it's fair to say he's still holding a substantial portion of that cash. However, he has mentioned that he's buying some stocks as valuations drop this week.

### Betting on airlines

Buffett doubled down on his bet on the airline industry. He acquired roughly 976,000 **Delta** shares in February for an estimated US\$45.3 million, according to a recent filing. The investment thesis seems to hinge on the fact that air traffic will resume once the coronavirus outbreak is resolved. Also, the sudden plunge in the price of crude oil should make airlines more profitable.

Canadian investors can probably replicate this move by [betting on Canada's largest airline](#), **Air Canada**. The stock is down 12% as I write this and has shed nearly half its value (47% to be exact) over the

past two months alone.

The airline also lost a similar amount during the 2008 financial crisis. However, it delivered a 50-fold return in the decade after the crisis, so investors might want to keep a close eye on it this time around.

## Cutting losses on oil

The ongoing price war between Saudi Arabia and Russia was just as unexpected as the coronavirus outbreak. There's simply no way investors could have predicted the swift destruction of value in this sector a few months ago. Now, even Warren Buffett is sitting on some heavy losses.

His bets on **Occidental Petroleum** and **Suncor Energy** are worth billions of dollars less than just a month ago. Perhaps as a consequence, Buffett decided to pull the plug on a liquified natural gas (LNG) investment in Quebec earlier this month – a project estimated to be worth \$9 billion.

Canadian investors should follow his lead and cut back on their energy investments since there's no way to forecast how long or how serious the ongoing oil price war is likely to be. If the price remains at current levels, expect bankruptcies and dividend cuts to surge across the energy sector.

## Bottom line

As we enter an official bear market, Warren Buffett is doing the usual. He's holding on to cash, betting on undervalued companies, and cutting his losses on oil and gas firms. Canadian investors should consider following a similar strategy.

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