



Market Crash: Warren Buffett Is Buying These Stocks

Description

Warren Buffett is one of the greatest investors in history. His long-term track record is unparalleled. Especially during a market crash, it pays to monitor how the Oracle of Omaha is investing.

This year, Buffett's holding company, **Berkshire Hathaway Inc.**, made several notable trades. A few weeks ago, Buffett appeared to buy shares in embattled airline stocks including **Delta Air Lines, Inc.** This caught the eye of countless value investors.

Due to the [coronavirus](#), airline travel has fallen off a cliff. It's becoming obvious that the entire sector will need a bailout, likely on a global basis. But Buffett and Berkshire are known to take risks when no one else is willing. During the 2008 market crash, for example, it secured fantastic deals on a number of blue-chip stocks, even as the rest of the market remained wary.

If you want to capitalize on the bear market, should you follow Buffett and buy U.S. airline stocks like Delta? What about Canadian airliners like **Air Canada**?

This market crash is different

During previous market crashes, Buffett took his time.

In February 2009, the exact trough of the financial crisis, *Forbes* reported that "Warren Buffett made a trip to Tiffany & Co. just days before Valentine's Day, but the billionaire didn't end up with a little blue box, instead he bought \$250 million of the company's debt."

The debt paid annual interest of 10%. That was quite a bargain for such a blue-chip company. In the previous weeks and months, Buffett made similar deals with **Goldman Sachs**, **General Electric**, and **Swiss Re**.

By waiting for the crisis to worsen, Buffett ensured the maximum amount of profit possible. He didn't invest big when market sentiment was falling. He went all-in when market sentiment was at *rock bottom*.

That's what makes the recent market crash notable. This time, Buffett bought early.

On March 11, Berkshire Hathaway, already the largest shareholder of Delta, added to its holdings. The stake increase represented a clearly bullish stance for Buffett, as he was already the second-largest stockholder of **United Airlines**, **American Airlines**, and **Southwest Airlines**.

It seems like Buffett was betting that well-financed competitors could capitalize on their lower-quality peers. "The current downturn in travel...may help the more financially sound carriers, such as Delta, if it shakes out debt-burden competitors such as Norwegian Air Shuttle," noted *The Wall Street Journal*.

Wait a minute

Maybe this market crash *isn't* different than the past.

A few days after Berkshire upped its Delta bet, more news hit the wire. The airline industry started lobbying for \$50 billion in financial assistance. That's three times what it requested after 9/11. Delta stock fell by a third as the airline revealed it was burning more than \$60 million in cash every day. Standard & Poor's downgraded Delta's credit rating to "junk."

On April 3, Berkshire appeared to throw in the towel, unloading \$350 million in Delta and Southwest stock. This brought his stakes below 10%, meaning any future sales may go unreported. It's possible that Berkshire has unwound its position entirely. That wouldn't be surprising considering the biggest dominos are yet to fall.

At this point, investing in airlines is like buying bank stocks in early 2009. There's a lot of money to be made, but there's also a lot of money to lose. Knowing the winners and losers is a matter of chance. Which companies will receive direct federal assistance, and at what terms? Even with a bailout, many airline analysts are saying that more financing will be needed.

If you want to invest in airlines today, you're playing a game of pure chance. That may be compelling for some, but for veteran value investors like Buffett, the risk appears to be too unquantifiable.

CATEGORY

1. Coronavirus
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/18

Date Created

2020/04/08

Author

rvanzo

default watermark

default watermark