



The \$128 Billion Question: What Will Warren Buffett Buy?

Description

Warren Buffett is Wall Street smart when it comes to investing. The billionaire investor buys value stocks during market crashes. Now that the longest-running bull market in history is over, the billion-dollar question is, what companies will the astute investor buy during the coronavirus crisis?

The mantra

Berkshire Hathaway, Buffett's conglomerate, has US\$128 billion spare cash in the war chest. When the investing world is in panic, smart investors will hunt for cheap opportunities. His mantra is to "buy when there's [blood in the streets](#)." Many industries are in distress and looking for white knights.

Buffett was already expecting a downturn but didn't expect the magnitude of the market free fall to be this big. The stock market is in a bloody mess due to the COVID-19 pandemic.

The reversal

When the novel coronavirus was not yet declared a pandemic, Warren Buffett remained unfazed. His playbook advises not to be afraid to invest when the market situation is nerve-wracking. However, with the carnage unrelenting, Buffett made an about-face and broke his [cardinal rule](#).

It seems that Buffett lost confidence in the airline industry. His company sold and reduced ownership in **Delta Air Lines** by 20%. Berkshire also unloaded holdings in **Southwest Airlines**. He has two airline stocks that are likely to be disposed of soon.

Buffett pushed through with the stock sale, even while the U.S. is preparing a bailout. Airline companies, however, will take a while to recover and will sink deeper, as most are debt-ridden. The problem will compound, as these companies add more leverage.

The indispensable airline

Unlike **Air Canada**, which has been grounded, **CargoJet** ([TSX:CJT](#)) is still flying. This \$1.6 billion integrated freight and logistics company is providing essential air cargo services in Canada.

Amid the pandemic, CargoJet is looking like a winner. Its shares remain up by 0.68% year to date. The business volume is soaring as a result of COVID-19. Demand for its services is rising as supply chains need to move during these critical times.

CargoJet ferries essential e-commerce, health, and other supplies. At the same time, the company is looking after the health and safety of its team. Every team member will receive a temporary daily allowance and additional benefits as support from management.

CargoJet's fleet of aircraft flying the international and charter routes has been redeployed to serve the needs of its home country. CargoJet needs to maintain the integrated supply chains of Canada-U.S.-Mexico routes.

The company is prepared to add daytime flights in case the capacity in its overnight network exceeds the maximum. There is added pressure in ensuring that the supply chain in hard-to-reach northern communities remains strong.

Financial lifelines

Investors are watching closely to see which industries Warren Buffett will extend help and provide financial lifelines. There are plenty of distressed sectors such as the entertainment (casinos and cinemas) and hotel (lodging). Travel is another, but the sale of his airline stocks shows the appetite in the sector isn't there anymore.

Even if his cash pile is \$128 billion in cash, Buffett wouldn't want to add more to his conglomerate's \$80 billion portfolio losses as of March 2020.

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