



Should You Follow Warren Buffett by Selling Airline and Bank Stocks?

Description

Warren Buffett recently ditched 860,000 shares of **Bank of New York Mellon**, bringing **Berkshire Hathaway**'s overall stake in the name just below the 10%. This round of selling came [just weeks](#) before it was announced that Buffett had sold 13 million and 2.3 million shares of **Delta Air Lines** and **Southwest Airlines**, respectively, bringing down stakes in both airlines also below the 10% mark.

Why is Warren Buffett selling when stocks are cheap?!

The share sale caused some investors to ponder whether the Oracle of Omaha has lost confidence in the banks and airlines due to something “big” that COVID-19 may have changed. After all, it's uncharacteristic of Buffett to sell after an unprecedented sell-off in the markets, especially with across names that have taken on a brunt of the damage.

So, has COVID-19 changed the long-term fundamental thesis of the bank and airline industries? Does Warren Buffett see more pain ahead for the broader markets? Or is the real reason more benign?

Investors could use an explanation from Buffett right about now. The man has gone quiet and probably won't explain his recent selling activities until May. But for close followers of Buffett, the latest moves are nothing to worry about.

The fact that the recent share sales brought Berkshire's stakes below 10% suggests that Warren Buffett is just trying to steer clear of having to jump over regulatory hurdles.

Although we'll only truly know what the man is up to when he breaks his silence. But I'd bet that nothing fundamental has changed as a result of COVID-19.

Why?

He's still very heavily exposed to the banking and airline industries, and it's likely that he just wants to reduce his stake below the 10% mark, so he doesn't have to jump over any regulatory hurdles.

Although it's possible he's liquidating further, with no public disclosure required, my guess is he's looking to spread his bets across two industries that he's still very much bullish on over the long term.

Could Warren Buffett be looking to buy Canadian?

Buffett has spread his bets across a wide range of airlines and banks. And with options getting limited on that side of the border, I wouldn't at all be surprised to learn that Warren Buffett is trimming large stakes in banks and airlines to initiate new stakes across other areas within the airline and banking industries.

Heck, Warren Buffett may even venture to this side of the border to pick up shares of beloved Canadian airline **Air Canada** ([TSX:AC](#))(TSX:AC.B), which hasn't "wasted" as much cash on share repurchases relative to some of its American peers.

Buffett may even be looking at the Big Six bank stocks as he looks to buy stocks on the cheap without the regulatory scrutiny that may come with a double-digit percentage stake in a single company.

Foolish takeaway

Canadian investors shouldn't hit the panic button with the banks or airlines.

The unprecedented sell-offs across both industries has created a [generational opportunity to do some buying](#). Although Warren Buffett's publicly-disclosed share sales are concerning to some, I'd bet you that he's a huge net buyer for the second quarter.

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