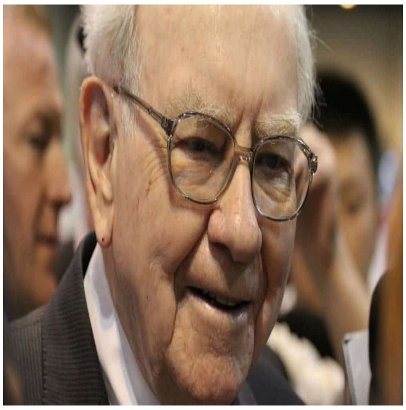

Why Is Warren Buffett Selling His Airline Stocks?

Description

Warren Buffett's conglomerate **Berkshire Hathaway** has a $128 billion war chest. In previous market crashes, the renowned value investor usually goes bargain hunting. But this time, you can sense the fear. Why the sudden change?

Buyer turned seller

Buffett mentioned in a recent interview that the coronavirus outbreak and oil price war are the one-two punch he hasn't seen before. Talks are ripe that the billionaire investor would again be making substantial moves.

Among the major companies for which Buffett extended financial help before were **Bank of America**, **Goldman Sachs,** and **General Electric**. He pumped in roughly US$13 billion in the companies. Several industries such as entertainment, hotel, and travel are presently experiencing distress, and they are all on the radar.

Buffett, however, made a surprising U-turn as the buyer turned seller. Three weeks earlier, Buffett said he was not selling his airline stocks. But at the start of April 2020, Berkshire sold nearly $390 million worth of shares in **Delta Air Lines** and **Southwest Airlines**.

The hammering by the coronavirus pandemic was too much to bear already. His conglomerate was losing $5 billion on its stock holdings in the airline industry. As a result of the sale, shares of both airline companies plummeted.

Uncharacteristic stance

The dumping of airline stocks is uncharacteristic. Buffett has consistently maintained a long-term view that exiting from a position is not his cup of tea. His second-in-command at Berkshire, Charlie Munger, is defending the non-buying stance.

According to Munger, Berkshire is not moving to buy and profit from lower prices because another market crash could happen. Since Berkshire doesn't know what to do with its investment portfolio, the prudent action is to do nothing. The Berkshire vice chairman said it's one of the keys to good investment results.

Buffett views the current crisis as the worst ever in his lifetime. The primary goal is to get through the typhoon and come out of it with a whole lot of liquidity. Because the market is acting crazy, expect Buffett to remain motionless and not buy into businesses at this point.

Resilient restaurant stock

With the closing of fast food operations, Buffett might be considering selling his **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stock holdings. Thus far, there are no indications or news.

The stock performance of this $19.25 billion company in 2020 is similarly causing alarm. RBI's year-to-date loss is 21.1%. Investors are not happy with the suspension of dividends. By suspending the payments, the company expects to derive $300 million in savings.

RBI was doing well in 2019 with its three global brands – Burger King, Tim Hortons, and Popeyes. The operating cash flow stood at $1.5 billion, but attaining the same level this year is a challenge.

RBI relies on the strength of franchises that run the quick-service restaurants. The outlets are open for delivery and takeout only that rent deferrals have been extended. Despite the market uncertainties, however, RBI CEO Jose Cil is confident that the company can ride out the crisis because of strong business fundamentals.

Reluctant investor

Warren Buffett is a reluctant investor in the 2020 pandemic because he fears another market crash. Despite keeping a low profile, people are still awaiting his next move.

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