



## Market Crash Alert: Warren Buffett Is Selling His Airline Stocks

### Description

Warren Buffett seems to be “distancing” himself from the core principles of value investing. Normally, the legendary value investor would capitalize on a market crash. But the followers of the high-profile proponent of the strategy are getting a different signal in the 2020 market crash.

**Berkshire Hathaway**, Buffett’s conglomerate, amassed billions of dollars in recent market downturns. His motto is to be greedy when others are fearful during turbulent times. Buffett, however, appears to be the fearful one these days. He has been selling plenty of [airline stocks](#) instead of buying depressed stocks.

### Unusual fear of the market

Many investors have learned and profited from Buffett’s value investing approach. People are again expecting him to go on a [buying spree](#) so they can follow his lead. But with the coronavirus turning the global economy upside down, the value of Berkshire’s stock portfolio is falling.

The airline industry is taking massive hits, prompting Buffett to sell 13 million shares of **Delta Airlines** and 2.3 million shares of **Southwest Airlines**. Buffett’s about-face in dumping the supposed value stocks bought in 2016 is sending shock waves in the investing world.

### Zero margins of safety

Buffett derives higher returns from his value stocks because he maintains a margin of safety. It’s the difference between the real or fundamental value and the price you pay for the stock. By buying less than the real value, Buffett has a greater margin or leeway before losing money.

As COVID-19 plays its course and travel restrictions are in place, airline stocks are the most fragile. Buffett lost his safety buffer and somehow underestimated the impact of the pandemic. The outlook for the travel industry is gloomy. Buffett worries about the margins of airline companies in 10 or 15 years from now.

**Cargojet** ([TSX:CJT](#)) is an exception, however, and its shares are even outperforming the general market. The stock is up 18.4% year-to-date versus the **TSX**'s 15.7% loss. This \$1.9 billion company is ferrying essential cargo and not carrying passengers.

In response to the increasing demand and the need to fill supply chains, Cargojet redeployed aircraft flying international scheduled and charter routes. This prominent air cargo provider is prioritizing the transport of e-commerce, healthcare, and other essential supplies across Canada and North America.

Despite the adjustments in flight schedules, Cargojet gave assurances that it's well equipped to handle the situation and keep the supply chain moving.

The stock continues to outperform in the wake of the debilitating market crash. Since dropping to a low of \$82.25 on March 12, 2020, the shares of Cargojet have climbed by 48.3% to \$121.98 on April 20, 2020. Investors can take the cue from the booming air cargo transport business.

## Loss of appetite

Warren Buffett has lost his investing appetite in the 2020 pandemic. Clearly, the billionaire investor is feeling the heat. His top stock holdings are losing big time, especially the travel stocks.

The sale of his airline stocks is a warning to investors to stay away from the industry. Based on forecasts, global airline revenues could drop by US\$314 billion this year. The outlook is indeed horrifying. No one expected Warren Buffett to be scared stiff in a market crash.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

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