



Warren Buffett Might Buy This Stock in 2020

Description

Warren Buffett is arguably the greatest investor in modern history. His multi-decade record of success is unparalleled. His holding company, **Berkshire Hathaway** continues to beat the market, despite a \$500 billion market cap.

Countless investors pay close attention to what the Oracle of Omaha owns, looking to replicate his portfolio and thus mimic his [success](#).

But once Warren Buffett buys a certain stock, a quick premium is usually attached to shares. You're not alone in following his trades, meaning shares will likely experience a run-up, increasing your eventual purchase price.

The secret to following Buffett is to buy *in advance* of his purchases. This usually leads to a better valuation. But is it possible to know what Buffett will buy before he buys it? Surprisingly, it's not as hard as it sounds, especially since he frequently reveals what he looks for in a [potential](#) purchase.

This stock tops the list

It's no secret that Warren Buffett loved airlines. Last year, he was the top shareholder of four different airline stocks. Billions of dollars were invested. This was an interesting transformation, as he'd avoided the entire industry for decades.

"If a far-sighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favour by shooting Orville down," Buffett famously quipped.

His negative stance changed when the industry started to consolidate. Instead of a dozens airlines competing on a single route, only a few companies were present. Today, the U.S. market is dominated by just four players. Canada is even more consolidated, with just two incumbents.

Industry consolidation has brought rational competition. **Air Canada** ([TSX:AC](#)) is a testament to this new normal. Since 2012, shares have risen by 1,500%. The company controls nearly half the domestic

market. The coronavirus pandemic should cause lesser-financed peers to exit the market, raising Air Canada's long-term prospects.

This is Warren Buffett's dream come true. An already consolidated market is becoming more consolidated. Air Canada is the perfect match for his investing philosophy.

But will the duration of the pandemic change the narrative?

Ready for Warren Buffett?

The coronavirus has changed everything, even Buffett's recent love for airline stocks. A few weeks ago, the Oracle of Omaha sold all of his airline bets, some of which he'd owned since 2016.

"The world has changed for the airlines," he said earlier this month. He went on to highlight how business travel, which represents high-margin sales opportunities, could be permanently impaired. "I don't know whether the trends toward what people have been doing by phone — I mean, it's been seven weeks since I've had a haircut, it's been more than seven weeks since I put on a tie or anything. It's just a question of what sweatshirt I wear."

Eventually, airline stocks will become a buy. Demand will return, and additional consolidation with only heighten the profit potential. Expect Warren Buffett to jump back in when that occurs, with stocks like Air Canada topping his buy list.

There are bargain stocks to buy today, but with rampant uncertainty, it's likely best to take a wait-and-see approach with Air Canada. Just don't wait too long. Eventually, the company should catch the eye of Warren Buffett.

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2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:AC (Air Canada)

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