2 Warren Buffett Stocks Investors Should Avoid

Description

Warren Buffett has a strong following of investors who follow his every move. But his company, **Berkshire Hathaway**, is coming off a brutal quarter where its investment portfolio had such a bad showing, it led to the company reporting a loss of more than US$50 billion. One of the reasons it doesn't work to follow Buffett's every move is that his company can afford to incur significant losses. Regular investors who may not have more than a few thousand dollars to invest have to exercise a bit more caution when selecting stocks. And there are a couple of stocks in his portfolio right now that investors may not want to include in theirs.

Restaurant Brands

Restaurant Brands International (TSX:QSR)(NYSE:QSR) was struggling with growing Tim Hortons before the pandemic hit. Now, it's got a more serious issue to deal with, as restaurants are going to see much less traffic in the weeks and months ahead. Even as businesses start to re-open, including restaurants, social-distancing measures will ensure that capacity will be a fraction of what it was before COVID-19. And there's no telling if or when things will ever go back to where they were before.

Although the company has posted a profit in each of the past 10 quarters, the bottom line will take a big hit once the full impact of the pandemic is felt. Sales growth in 2019 was a modest 4.6%, and it's all but a guarantee that 2020 will see a steep drop off in revenue. And for a stock that's trading at around 20 times its earnings, Restaurant Brands isn't a cheap stock to own today. The stock's down more than 10% since the start of the year, and it would have been deeper if not for a rally over the past month. With much uncertainty ahead, Restaurant Brands stock could face some significant losses later this year.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) is normally a solid stock to invest in, but the pandemic has changed all that. The energy giant's share price has been cut in half in 2020, as low oil prices and a fragile energy industry have made it a risky investment to hold. What's even more troubling is the stock's crashed even as the company repurchased $307 million worth of shares during the quarter. If not for the share buybacks, Suncor stock may have fallen even more.

The company is coming off a second straight quarter where it reported an operating loss of more than $3 billion, as impairment charges have weighed down its results. Suncor has made moves to cut spending and to free up liquidity to help it get through the pandemic. It also slashed its dividend payments by 55%. Investors will now be earning $0.21 every quarter, which means the stock currently yields about 3.7% per year.

While Suncor may get through the pandemic, it still doesn't make the stock a good buy. The oil and gas industry was already in trouble before COVID-19. The pandemic has made things worse, but even without it, the oil and gas industry's still a risky place to invest in. Investors are better off looking at safer dividend stocks to invest in.

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Date
2025/08/23

Date Created
2020/05/19
Author
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