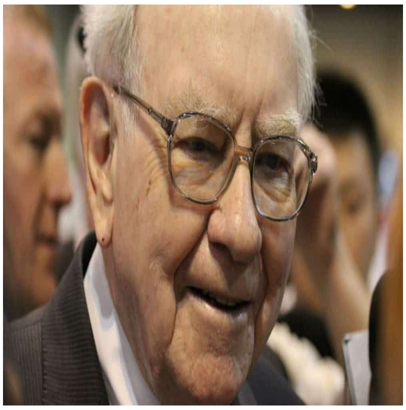

Market Crash 2020: Why Warren Buffett Isn't Buying

Description

Warren Buffett has been unusually quiet amidst the turbulence of the 2020 stock market crash. In past crashes, Buffett eagerly bought the dip and initiated new positions. This time, he doesn't appear to have bought much at all. In fact, at his shareholder meeting, he revealed that he has been a net seller of stocks year-to-date.

It was a stark contrast to the great recession, when Buffett went to town making bets on beaten-down companies like **Goldman Sachs** and **General Electric.**

Faced with this surprising change of pace, many are wondering what Warren Buffett is up to. While this month's **Berkshire Hathaway** shareholder meeting shed some light on that, it didn't provide that many answers.

We did learn that Buffett exited airlines entirely. We also learned that he was long-term bullish on the United States. Apart from that however, we didn't get much.

However, a recent *Wall Street Journal* interview with Buffett's business partner Charlie Munger shed some light on what's going on. In the interview, Munger provided two key indicators as to what Buffett is actually thinking.

Focused on liquidity and the unprecedented nature of the current situation, his comments indicate that Buffett wants to emerge from the crisis with a lot of cash.

Munger has often been called the "abominable 'no' man," for his tendency to say things Buffett is too polite to say, so his words may indicate Buffett's thoughts.

Here's some of what he had to say.

An economic typhoon

Charlie Munger didn't mince words when describing the 2020 market crash. Calling it an "economic typhoon

," he said: *"We're like the captain of a ship when the worst typhoon that's ever happened comes. We just want to get through the typhoon, and we'd rather come out of it with a whole lot of liquidity."*

In other words, he and Buffett want to survive this crisis with a lot of assets that can be easily converted into cash. Treasury bills will likely be a big part of this equation.

We also know what *won't* be part of the equation: airlines.

Airlines now calling for long-term pain

At his shareholder meeting, Warren Buffett shocked everyone by revealing he'd liquidated his entire position in airline stocks.

If you look at the recent results of a company like **Air Canada** (TSX:AC), it's not hard to see why. Before the COVID-19 market crash, AC was an ultra-profitable behemoth with 27 consecutive quarters of revenue growth. Now it's losing billions and seeing revenue decline. In its most recent quarter, Air Canada lost $1.05 billion.

That's a huge loss, and keep in mind that it took until March for lockdowns to really get underway in Canada. Air Canada's second quarter–with three full months of no international flights–will therefore be even worse. The U.S. airlines Buffett sold were in the same position, so it's no surprise that he decided to get out.

A question mark on banks

A really big question that nobody has the answer to just yet is whether Warren Buffett will ditch bank stocks like he did airlines. So far, he's giving mixed signals. At his shareholder meeting, he quipped that the banking sector is "not the problem" in the current recession.

On the other hand, he notably reduced his positions in several banks in Q1. It seems Buffett is playing his cards close to his chest when it comes to banks, so this will be one to watch.

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