



## Does Warren Buffett Trust This Market?

### Description

Warren Buffett's sombre tone in the 2020 **Berkshire Hathaway** annual shareholders meeting has to have Canadian investors exhibiting caution amid these [coronavirus-plagued times](#). The man we know as the Oracle of Omaha warned investors that they have to be "careful" *how* they bet on the stock market given the "range of possibilities" remains "very wide" amid these unprecedented times for which there's really no historical comparison.

Whenever Buffett speaks, it pays dividends to listen.

Although the darkest hour of the coronavirus crisis may be over, it'd be foolish (that's a lower-case "f" folks!) to assume that it'll be [smooth sailing in a return to normalcy](#). There are few things more unpredictable than biology, and another vicious COVID-19 outbreak could spark another wave of panic-induced selling, and with it, better bargains that Warren Buffett may be more willing to bite on.

In any case, Buffett isn't licking his chops yet. Canadian investors should follow his lead by keeping their greed levels in check and considering a worst-case scenario that could unfold in the latter part of the year.

## Warren Buffett is no speculator!

I believe Warren Buffett's actions speak even louder than his words. He threw in the towel on the airline stocks, which would have had the most room to run if the coronavirus were to be eradicated sooner rather than later.

Does that mean Buffett sees more pain ahead?

Not necessarily. Warren Buffett acknowledged that he doesn't know where the markets are headed next, but it was pretty out of character for the man to be a net seller of securities after one of the most violent crashes in recent memory.

Indeed, the coronavirus has blurred the lines between investment and speculation. The airlines, which

were a sound investment in the pre-pandemic era, suddenly turned into a speculative all-or-nothing gamble.

The magnifying glass has been put on the balance sheets of the U.S. airline stocks. With **Boeing** CEO David Calhoun stating that a U.S. airline will “most likely” go belly up in 2020, the airlines have become quite a dangerous speculation that’s unfit for even the most fearless of long-term investors.

Given the limited liquidity of the U.S.-based airlines, a second coronavirus outbreak could easily send airline stocks tumbling toward \$0. Warren Buffett likely realized this, which is probably a huge reason why he opted to sell out of his airline stocks at a loss rather than trimming.

## If you’re not willing to speculate, it may be time to sell the airlines, too

A bet on an airline stock like **Air Canada** ([TSX:AC](#)) is effectively a bet that a second coronavirus outbreak won’t trigger another long-lasting wave of lockdowns and travel restrictions that could span many more months.

The haze of coronavirus-related uncertainties has made it virtually impossible to gauge the intrinsic value of many severely-impacted stocks. Many firms are pulling their guidance because it’s tough to forecast revenues over the next year, as it ultimately depends on what’s to happen next with the insidious coronavirus.

The airlines, which are at ground zero of the crisis, will probably suffer long-lasting damage that could affect top-line numbers for many years to come.

Although Air Canada is far more liquid than that of its peers south of the border, the company will remain an all-or-nothing type of speculation until there’s a working vaccine.

## So, does Warren Buffett trust this market?

Nobody knows for sure. But Buffett doesn’t seem to be ruling out the possibility of another outbreak and another market crash.

Moreover, he likely recognizes that the coronavirus has turned many sound investments into speculative gambles. He’s reacted accordingly, and once this coronavirus pandemic is in the rear-view mirror, I have a feeling that Buffett will once again look like a genius by refusing to swing at pitches until he sees a chance to knock one of out of the ballpark.

Stay hungry. Stay Foolish.

### CATEGORY

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