



Warren Buffett: Sell All Airline Stocks Now!

Description

Everyone knows Warren Buffett. He's one of the greatest investors in history. When he talks, markets listen. If you're invested in airline stocks, pay attention.

Buffett's relationship with the airline industry stretches back decades. Everything culminated in 2017 when he started buying shares. Last year, he was a major shareholder of *four* different airlines.

Then the coronavirus hit. The airline industry experienced the sharpest decline in passenger traffic ever. Uncertainty remains rampant.

What does Buffett have to say about the current situation? Let's find out.

History is revealing

If you want to understand how Buffett thinks about the airline industry, it's critical that you review his past statements.

"If a far-sighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favour by shooting Orville down," he claimed over a decade ago, later adding that "there have been almost 100 airline bankruptcies" since the industry first began. "I mean, that is a lot. It's been a disaster for capital."

People change. In 2017, Buffett explained his new airline bets, saying that this time actually was different.

"It's true that the airlines had a bad twentieth century," he said. "They're like the Chicago Cubs. And they got that bad century out of the way. The hope is they will keep orders in reasonable relationship to potential demand."

Perhaps he should have listened to his previous statement on the matter: "I now have an 800 number I call every time I think about buying a stock in an airline. I say, 'I'm Warren and I am an air-aholic.'"

Once the COVID-19 pandemic hit, Buffett's airline profits were completely erased.

What does Buffett think now?

In March, when the pandemic first began, Buffett was steadfast in his support for the industry.

"I won't be selling airline stocks," he [told](#) Yahoo! Finance. "Well, it's going to be terrible. I've always felt a pandemic would happen at some time," he added, clarifying that it "won't stop the progress of the country or the world."

Buffett was wrong. Airline stocks tanked, and eventually, the Oracle of Omaha sold *all* of his airline stocks. What changed?

Investing is all about probabilities. Value investors like Buffett understand this better than anyone. If there's zero visibility, it's hard to calculate the odds. Just consider the following statement from **Air Canada** ([TSX:AC](#)) CEO Calin Rovinescu.

"No adjectives can adequately describe the pandemic's cataclysmic effects upon our industry, nor can numbers fully quantify the extent of financial devastation," he warned. "We're now living through the darkest period ever in the history of commercial aviation, significantly worse than the aftermath of 9/11, SARS, and the 2008 financial crisis."

No one knows when this will end. Air Canada thinks it will persist for at least three years. Plane manufacturers are bracing for five years. One CEO recently said the industry will be "permanently" smaller.

It's hard to figure out how much airline stocks are worth. The odds are unquantifiable. Money may be [made](#), but for prudent investors like Buffett, the best move is to step aside.

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