



Warren Buffett: Sell These 2 TSX Stocks Right Now!

Description

The pandemic situation was something which no company, no investor, no government imagined and prepared. The stock market moved unpredictably as investor sentiments overtook fundamentals.

Even Warren Buffett, who has made money in the past crisis by buying value stocks in a crash, moved to a sell mode. He sold airline stocks, bank stocks, and gold stocks. Did he make a mistake by selling these stocks? I don't believe so.

Why Buffett hesitated before buying stocks in the market crash

The stock market rallied even when the economy crashed. The government's fiscal stimulus package fuelled the rally. According to the [Buffett indicator](#), the market was significantly overvalued.

Buffett is a value investor. He places his bet on stocks with strong fundamentals and significant growth potential but are not valued for the future. As the pandemic rally overpriced the stocks, the window of opportunity to buy value stocks was small.

However, he bought energy stocks like **Dominion Energy's** natural gas transmission business and **Suncor Energy**.

Sell these TSX stocks right now!

While Buffett hesitated in buying stocks, he didn't waste much time in selling some stocks. The stock market crashed in March, and Buffett exited his \$6 billion exposure in the top four U.S. airlines, saying, "The world has changed for airlines," and he was right.

In the second and third quarters, three of the four airlines reported more than \$5 billion in net loss, and their net debt surged between US\$12 billion and US\$24 billion. It will take these airlines almost a decade to come to a net cash position if they succeed in avoiding bankruptcy or consolidation.

Air Canada

Standing strong among all passenger airlines was **Air Canada** ([TSX:AC](#)), as it entered the pandemic with one of the strongest balance sheets. The airline had relatively low debt, more cash reserve, and assets it could use as security to raise cash. AC stock lost 70% of its value but held strong in the \$15-\$22 price range throughout the pandemic.

Investors knew that if any airline could avoid bankruptcy it was AC. Hence, when the COVID-19 vaccine news flooded, AC stock jumped 28% in one day and 80% in one month. Today, it is trading above \$27 and heading to a \$30 price. You can't ask for more.

This stock is oversold, and a \$30 price is not sustainable as the balance sheet only assures survival. The fact remains that AC is burning cash and is on the road to report a \$4 billion loss this year.

When reality hits, investors will look beyond the balance sheet and at profits. Then the stock could dip 7%-10% in a day. If you hold AC, sell the stock while it is still above \$27. The stock will correct, and you will get an opportunity to buy the stock near \$20. But now, it's time to sell and book a profit.

Barrick Gold

While Buffett sold airlines, he [bought](#) over US\$550 million worth of **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD) stocks in August. That's unlike Buffett, who was never fond of the yellow metal.

Barrick Gold stock moves in tandem with gold prices, which rise when the economy is down and fall when the economy is strong. One of the major reasons investors buy gold stocks is to hedge against inflation and stock market volatility.

Buffett didn't stay in the gold stock for long and sold a 40% stake in the third quarter itself. Why did he do so?

Buffett's gold investment indicates that he was expecting a market crash, or that is what Buffett indicator warned. He was expecting Barrick to continue rising, but the stock fell 13% by the end of October.

The economy was adapting to the pandemic, and the vaccine news cleared the roadblock to economic recovery. Following its inverse relation, Barrick stock fell 20% in November. It will continue to fall as the economy recovers.

Sell the gold stock before you lose more. You can cash out this money and put it in recovery stocks like **RioCan REIT**, which will grow with the economy. RioCan's growth will offset the decline from gold.

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2. TSX:ABX (Barrick Mining)
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Date

2025/09/09

Date Created

2020/12/09

Author

pujatayal

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