



Warren Buffett: Buy This, Not That

Description

Warren Buffett is always someone that investors want to follow. Whether the market is in a major correction or on a significant bull run, it's always helpful to have an idea of what Buffett is doing.

This year, it's been extra important to watch how the Oracle of Omaha has responded. Not only is Buffett incredibly smart and prudent, but with his resources, you can be sure that he is getting tonnes of information before making big investment decisions.

This makes it even more important to listen to what Buffett is saying and act accordingly. You don't always need to do the same as him; after all, with different portfolio makeups, what makes sense for you may not make sense for him and vice versa.

However, it's still important to know what he is doing and why he is doing it.

One of the biggest decisions Buffett has made this year was to abandon his investment in all the airline stocks early on in the pandemic. While this was criticized early during the initial rally back, it's proven to be a top choice. So, let's take a look at why Buffett decided to abandon airline stocks.

Warren Buffett: Avoid airline stocks

Warren Buffett was quick to sell airline stocks back at the beginning of the pandemic. The reason for this was because Buffett didn't foresee the industry getting back to 2019 capacity for several years.

Even this coming year, with the vaccine now starting to be rolled out, and a significant rebound expected when it does, capacity in the industry is still expected to be nowhere near 2019.

There are still several speedbumps before the industry can recover completely, which includes international travel as much as domestic. First, the entire world is going to need to be vaccinated and reach immunity. It's going to be crucial to build the confidence back up in all travelers.

Then, even after that, as sales move back to 2019 levels, long-term effects could hurt profitability.

Air Canada

([TSX:AC](#)), for example, has issued both debt and shares since the start of the pandemic. So, even if all sales numbers and costs went back to the pre-pandemic level, [Air Canada](#) still wouldn't earn as much net income, because it has higher interest expenses now.

Furthermore, with the increased amount of shares, it would actually have to earn more total income to come up with the same earnings per share as before the pandemic. Warren Buffett identified this would happen early on, which is why he abandoned the industry.

So, while you may have made money over the last few weeks with a rally in Air Canada shares, you may want to take your money now. Holding from now until a full recovery could be a much longer investment.

Buffett: Buy gold stocks

On the flip side, if you're looking for a stock to buy in this uncertain time, gold stocks are a great option. One of the top stocks to consider is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

Barrick Gold is one of the largest gold miners in the world. Its diversified operations help reduce risk for investors and make it an ideal stock to buy to gain exposure to the price of gold. Another lower-risk option would be to buy a [gold ETF](#), which would be even more diversified.

Barrick's superior size and track record make it appealing, though, which is why many investors elect to buy the stock itself. Although Warren Buffett buying a gold stock was surprising, the fact that it was Barrick was not.

The stock has had a bit of a pullback in recent months, as gold prices have cooled off. This is the perfect opportunity for investors to buy, however, as you can now get Barrick for even cheaper than Buffett did back in the summer.

Plus, with several catalysts for gold to continue its rally, there might not be a better time to buy the stock.

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