



Could Prem Watsa's New Bullish Thesis Get Trumped?

Description

Fairfax Financial Holdings Ltd. ([TSX:FFH](#)) has been a difficult stock to own over the past year. The stock tanked over 22% from its September 2016 high thanks to a number of poor investments.

Prem Watsa had a lot of short positions and hedges against a decline in the markets, but he was caught with his pants down when Donald Trump won the election and the Trump rally took off. To the surprise of many, long-time bearish investor Watsa turned bullish and announced that he had eliminated his short positions, which were causing a great deal of pain for Fairfax.

Many defensive investors looking for a bomb shelter against a market crash weren't fans of Watsa's sudden change in stance. The stock remained relatively flat for most of 2017, but it looks to be gaining more negative momentum this month.

A big part of Watsa's new stance is the pro-business agenda put forth by the Trump administration, so the recent talk of the rising threat of Trump's impeachment has investors wondering what's going on in Watsa's mind. The escalating fears of Trump's pro-business agenda going out the window are surely going to leave another dent in Fairfax's stock.

Trump agenda in jeopardy. Is Watsa still bullish?

Watsa told a Bay Street crowd that he's still bullish on the U.S. economy with President Trump at the helm, but he had some words of wisdom for "The Donald." Watsa stated that Trump should "stop using that **Twitter** account ... and just stay quiet."

Watsa is obviously a huge fan of Trump's economic team and the promises to cut corporate tax rates by approximately 20%. Watsa strongly believes that a strong U.S. economy will mean Canada will benefit, even with Trump's recent criticisms of Canada's dairy, lumber, and energy sectors.

Watsa went on with his rant by saying that Donald Trump is "incorrigible," and that "he doesn't listen to anyone."

There's no question that Watsa risks getting caught with his pants down for a second time if the Trump

agenda goes out the window. While I don't think Trump will be impeached, the general public really hit the panic button hard this Wednesday, and I believe it's quite possible that we may see another round of selling in the weeks ahead if the Trump situation gets uglier.

Personally, I'm with Watsa. I still think the Trump rally has legs, but I believe many Fairfax investors will continue to be disappointed with Watsa's new bullish tone because Fairfax has been known to be a safe haven in the event of economic downturns.

Fairfax appears to be at a crossroads right now, so I wouldn't load up on shares if you're worried about a crash. I'd only recommend buying shares if you believe in Prem Watsa and his new bullish thesis.

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