Warren Buffett's Advice: A Down Market Equals Opportunity

Description

"Be fearful when others are greedy and greedy when others are fearful."

Many investors swear by Warren Buffett's famous words. As an investor, understanding his words should be simple. You can interpret this advice in any way you see it. Most investors will agree that what Warren Buffet means is that the best time to buy stocks is when everybody is afraid.

During market recessions, investors tend to panic. The market situation, as well as the overall economic situation, becomes chaotic and it becomes challenging to make sense of what is happening as the recession comes in like a raging storm. When the dust settles and everything starts to clear, the aftermath of a recession leaves a very vivid picture.

Fortunes are lost and people's savings turn to ashes. For the most part, people suffer horribly through recessions – people who are not prepared. The 2008 recession is still fresh in the memories of many investors.

Although it was the worst economic time in recent history, one man chose to invest in stocks that everybody avoided: Warren Buffet.

The bad news *is* the good news

Warren Buffet is one of the most successful investors in the world right now. His investment decisions in 2008 through the recession saw him capitalize on what turned out to be a fantastic opportunity.

In his view, the long-term value of innovative businesses would continue to grow despite the short-term pain of the recession.

Buffett warned investors against buying stakes in companies that have weak competitive positions in their respective markets. He also encouraged investors to look at the massive market downturn as an opportunity to purchase reliable companies at discounted prices with enormous long-term potential.

According to Buffett, companies both weak and strong suffer earnings hiccups through a recession, as they always do. But most major companies will set earnings and profits records 20 years on. Warren Buffett made these statements a decade ago, and they have proven to be true.

Potentially excellent opportunities ahead of a recession

Falling in line with Warren Buffet's advice, there are two Canadian stocks that present investors with excellent opportunities: **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Canadian banking stocks have always enjoyed a good reputation as long-term stocks. Looking at these two will show you how a down market is an excellent opportunity.

A stock like royalty

The Royal Bank of Canada is one of Canada's most successful banks. As an organization, RBC is making remarkable efforts to build top-of-the-line in-depth and unsupervised learning programs.

Working with Borealis Artificial Intelligence, RBC plans to venture into groundbreaking achievements with Artificial Intelligence. The bank intends to remain an industry leader.

Borealis Artificial Intelligence is RBC's research institute. Borealis is collaborating with top AI research companies and institutes to improve things for the bank's long-term prospects.

Despite the recent dip due to Canada's housing market problems, the strong performance renders RBC more than capable of weathering the headwinds of a recession.

Canada's third-largest bank stocks

The third-largest bank in Canada, Bank of Nova Scotia is expanding operations to establish a worldwide presence, with has over 100,000 people employed globally. The bank's operations in Latin America present BNS its most significant opportunities for growth in the long term.

BNS has invested billions over the past decade to establish a strong presence in Latin America's banking sectors. Mexico, Chile, Colombia, and Peru are all seeing money come in from BNS.

These countries are members of the Pacific Alliance trade bloc, with a total estimated potential customer base of more than 230 million.

Foolish takeaway

RBC and BNS are both longstanding top performers in Canada's banking sector. According to Warren Buffet, a market downturn offers an opportunity to buy lucrative stocks at a discount.

Despite a potential recession, RBC and BNS are both potentially solid stocks with high-yield dividends and promising long-term prospects.

If a recession hits, the share prices of these stocks will likely plunge, just like the overall **TSX.** That said, they show all the signs of making a massive recovery once things improve.

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3. TSX:BNS (Bank Of Nova Scotia)
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