How to Invest Like Warren Buffett in a Market Crash

Description

Last week, investors found themselves in the thick of the worst trading week since the 2008 financial crisis. The global COVID-19 coronavirus outbreak has stirred panic in the investing world, and those impacts do pose a significant threat to worldwide growth.

When investors are at a loss during periods of extreme market turbulence, it's often best to look at how the best in the business are reacting to these fluctuations.

Recently, I'd discussed some important tips that investing legend Warren Buffett dropped in a long interview with CNBC.

Today I want to explore how a regular investor like me or you can approach these market fluctuations like Mr. Buffett himself.

Keep a cool head

"Don't panic." That was one of the key Buffett tips I'd gone over last week. We don't even need to go all the way back to the financial crisis to see why selling in a correction is a bad idea.

Look at the sharp market dip that occurred in late 2018. While market corrections understandably inspire fear, investors need to exercise patience and avoid selling low.

Hunt for value

Warren Buffett is perhaps the most famous proponent of value investing in the industry, which involves targeting high-quality companies with stock below fair value.

Just this past week, Buffett acquired nearly one million shares of **Delta Airlines**, according to Bloomberg News. Airline stocks have been battered over the course of this crisis, with many experts projecting that the travel industry will be the hardest hit.

Air Canada (TSX:AC)(TSX:AC.B) has been one of the top stars on the **TSX** over this past decade. The company has consistently outperformed analyst expectations amid an industry expected to post more solid growth in the 2020s. However, shares of Air Canada have plunged 24.6% over the past month as of close on March 4.

This company appears to fit perfectly within the value investing framework. It is forecast to post strong earnings growth, its balance sheet has improved dramatically into the start of this decade, and air travel is expected to double over the next two decades.

Air Canada stock possessed a very favourable price-to-earnings ratio of 6.4 at the time of this writing. Shares last had an RSI of 23, putting Air Canada at technically oversold levels.

Maintain a long-term outlook

Buffett conceded that the coronavirus outbreak was "scary stuff" in his interview with CNBC. He said that many of **Berkshire Hathaway**'s key businesses, including **Coca-Cola** and Geico, could be negatively impacted by the outbreak.

However, Buffett remains very optimistic on the long-term health of the United States economy. "Business is down, but it's down from a very good level," he said. Buffett said that investors should stay long and avoid getting caught up in "today's headlines."

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is one Buffett-owned Canadian stock worth your attention if you take his advice and adopt a long-term outlook.

Its shares have dropped 6.2% week-over-week as of close on March 4. The stock is down 4% year over year.

Investors should hope to see RBI improve its debt position in the quarters to come, but it continues to forecast solid earnings growth. In 2019, RBI delivered system-wide sales growth of 8%.

Popeyes was the big story, posting massive system-wide sales growth of 42% in Q4, while Burger King remained a model of consistency. While Tim Hortons disappointed again in 2019, RBI is staking aggressive steps to improve its output.

Shares of RBI are trading below their fair value relative to industry peers. RBI stock last had an RSI of 28, putting it in oversold territory. The stock offers a quarterly dividend of $0.50 per share, which represents a 3.6% yield.

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Date
2025/08/16
Date Created
2020/03/05
Author
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