Warren Buffett Just Sent a Major Message to Canadian Investors

Description

Last week it was announced that Berkshire Hathaway — the massive conglomerate that Warren Buffett built and still controls — would be withdrawing its $4 billion commitment in the $9 billion Quebec LNG project that was supposed bring Western Canadian Energy east to be exported from a facility in Quebec.

The move comes as rail blockades continue to scare off foreign investors, severely affecting the Canadian economy and how it's viewed from ~~investors~~ abroad.

The rail blockades are just the newest development in Canada's ability as a country to get major energy infrastructure projects done, which continues to hurt our long-term economic potential.

Why it's a problem

Not only does it hurt our energy industry from getting crucial projects done in order to sustain and grow the sector, but it's also sending the wrong signal to foreign investors worldwide. In this day and age, having foreign direct investment in every country's economy is crucial for survival.

Since Bill C-69 (or what many in Western Canada call it, the no pipeline bill) took effect, investing in Canada has already looked poor to foreign investors.

Now, with the rail blockades becoming just the latest protesting effort in Canada, it's becoming evident that many have said enough is enough.

What's ironic about the climate protestors particularly is that by targeting Canada and our energy production, the protestors are only affecting Canada's ability to produce the product rather than limiting global demand.

In turn, climate protestors are more than likely actually making global warming worse, as other countries —such as those in the Middle East — with a lot lower emissions standards are producing what we can't, so the same level of oil is being produced, yet with higher overall global emissions.

Why it should be troubling

The federal government's lack of action has created a precedent. Not only have investors taken notice, but other protestors too. If things don't change soon and a clear message isn't sent, the level of foreign investment in Canada going forward looks bleak.

It's especially worrisome given that Buffett is always taking a long-term approach to investments, so it's clear that one of the world's brightest investors and someone who has been doing this for over 70 years doesn't see this as a short-term problem.

How this affects Canadian investors

Whether or not you own energy stocks, this will inevitably affect every single Canadian investor, as lower levels of foreign investment will make funding new major investments extremely difficult.

In addition, it will also cause the **TSX** to underperform other countries' stock indices, which will see higher levels of foreign investment help to prop up valuations.

How to protect your portfolio

This entire situation is a textbook example of why investors need to diversify geographically, in addition to by company and industry.

Investors who buy only Canadian stocks are at the mercy of how the country's economy grows over time in relation to the rest of the world.

And even though in the long run you can expect Canada's economy to grow, if it continually grows slower than a number of its peers, evidently it won't be the best country in which to invest.

An easy way for investors to invest in foreign economies are through a number of Exchange-Traded Funds (ETFs).

For example, beginner investors will want some exposure to the American economy, and a great ETF for that is the **iShares S&P 500 Index Fund CAD Hedged** (TSX:XSP).

The XSP is a basic ETF designed to give investors exposure to a wide range of companies across the United States.

By buying this index fund and other foreign index ETFs, investors will diversify their portfolio among various countries, exposing yourself to different growth rates at different times and helping to minimize your portfolio's risk as much as possible.

It's crucial that investors avoid having 100% of their portfolio exposed to the Canadian economy. Otherwise, you could make a devastating mistake that will go unnoticed for years, ultimately hurting your long-term investing potential.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:XSP (iShares Core S&P 500 Index ETF (CAD-Hedged))

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2020/03/09
Author
danieldacosta