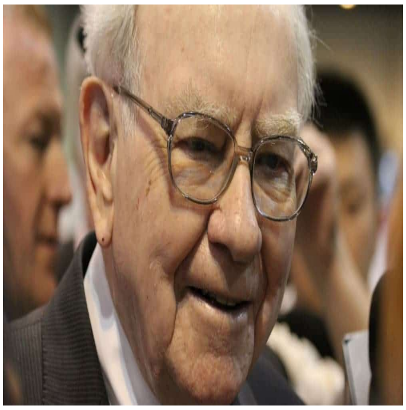

Ignore the Fear: Invest Like Warren Buffett and Profit From the Market Crash

Description

Global stock markets are tumbling downward, driven lower by coronavirus fears. The leading **Dow Jones Industrial** has lost a whopping 26% over the last month, and the **S&P/TSX Composite** is down by 25%. While panic is driving stocks to lows not seen since the 2008 Great Recession, it is imperative to remain calm. Large fear-driven declines in the value of stocks are nothing new. They typically create significant opportunities to acquire quality stocks at deeply discounted prices. It was Warren Buffett, one of the world's great investors, who once stated, "be fearful when others are greedy and greedy when others are fearful."

There is no better time to apply that statement than now.

The sharp decline of stocks across the globe has been driven by fears that the coronavirus will spark a major global economic downturn. While it may take time for stocks to recover, this has created an opportunity to acquire quality companies that possess wide economic moats, solid growth prospects, and easily understood businesses.

Quality energy stock

One that stands out is Warren Buffett's second-largest Canadian holding, **Suncor Energy** (TSX:SU)(NYSE:SU). Oil prices have been hit hard by coronavirus fears, the growing likelihood of an economic slowdown in China, a global recession, and a new price war.

The North American benchmark West Texas Intermediate (WTI), has plunged by 50% since the start of 2020 to be trading at around US$30 per barrel. That is its lowest price since early 2016 and is responsible for the carnage among oil stocks. Suncor has lost a whopping 50% for the year to date, and there may be more short-term declines to come.

Nevertheless, once coronavirus fear subsides and recently announced stimulus packages from central banks around the globe gain traction, economic growth and demand for energy will improve. That will give oil prices and energy stocks a healthy lift.

Solid long-term outlook

Suncor is well positioned to rally strongly because of its low-cost, quality upstream assets coupled with its refining operations. The integrated energy major has the capacity to refine over half of its oil production. That allows it to profit from weaker oil, because lower prices mean cheaper feedstock for its refineries, boosting the margins on processed products such as fuels, offsetting the financial impact of weaker oil.

One of Suncor's key strengths is the low operating expenses of its assets.

For 2019, the energy major's oil sands operations had cash operating costs of $28.20 per barrel of oil produced. This means that even with WTI trading at US$30 per barrel, Suncor is cash flow positive. Those costs are even lower for Suncor's Fort Hills operations at $26.15 per barrel of crude extracted.

Importantly, in the current challenging operating environment, Suncor is generating a solid 5.1% return on capital employed and possesses a strong balance sheet. Its net debt is a conservative 1.5 times funds from operations (FFO), and its FFO is 13 times the interest payable on Suncor's long-term debt.

There are concerns that sharply weaker oil could see Suncor slash its dividend, which is currently yielding just over 7%. A 50% cut would reduce the yield to a still attractive 3.5%, while allowing Suncor to shore up cash flow and its balance sheet.

Foolish takeaway

Don't get caught up in the hysteria surrounding the latest market crash. While the short-term outlook remains highly volatile, quality companies like Suncor are very attractively valued. That makes now the time to profit from the outbreak of fear and add Suncor to your portfolio.

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