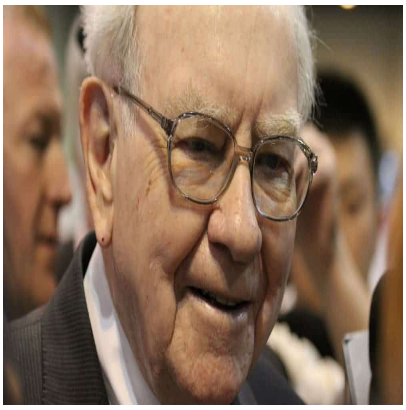

Warren Buffett Did This 1 Smart Thing During the 2008 Market Crash

Description

The 2010s were a fantastic decade for global stock markets. The Toronto Stock Exchange kept climbing to all-time highs amid phenomenal performances all around. While there were fears of a recession, there were no signs of it until March 2020 began. The outbreak of COVID-19 began in China and spread to the rest of the world.

At writing, the pandemic has infected more than 1.9 million people worldwide. The pandemic has stirred up panic in the world of investment. It is stunting global economic growth, and investors are losing significant capital due to the turbulent market.

I am going to talk about what Warren Buffett did during the 2008 market meltdown and how you can apply a similar strategy amid the coronavirus pandemic.

Be greedy when others are fearful

“Be fearful when others are greedy and greedy when others are fearful.”

It is perhaps one of the most iconic quotes by the Oracle of Omaha regarding financial crises. The key to being a successful investor, especially during a recession, is to take on a contrarian approach. It is against human nature to be contrarian. The pandemic is far scarier than previous market crashes, because it is not just economic safety on the line. Peoples’ lives are in danger.

It might be a tempting strategy to wait for the market to bottom out before you begin investing. However, waiting for the coronavirus-fueled meltdown to end puts you at the risk of missing out on exceptional bargains to leverage.

What is Warren Buffett doing?

It is obvious that he is probably buying stocks right now. We will not find out which assets Buffett is investing in until much later. It is ill-advised to try and guess what he might be buying, because you might be wrong. Still, you can adopt a well-informed strategy for considering assets to this end.

You need to consider investing in assets that are trading for a significant bargain right now. High-quality companies with phenomenal potential that are beaten down due to the ongoing market crash could be perfect for the situation. To this end, I would like to draw your attention towards the **Air Canada** (TSX:AC)(TSX:AC.B) stock.

It is one of the most affected stocks on the TSX due to the global health crisis. Airline operators across the world are suffering from devaluation as demand for air travel declines. In the previous recession, people preferred not to fly to save money. In the current crisis, people are not flying due to concerns for their safety.

AC has cut down its operations by 90% amid the crisis. At writing, the Air Canada stock is trading for $19.31 per share, a whopping 63% down from its January 2020 high. With layoffs in the company and significantly reduced operations, Air Canada might not look like an option you would even want to consider.

I think looking back at its performance before the crisis might change your mind. The stock grew by more than 300% between April 2015 and January 2020. If the company regains its market value back to its January 2020 figures, investors can benefit through monstrous returns.

Air Canada is in a tight spot right now, but I believe the value for its services will substantially increase as the pandemic subsides. When it is all done and dusted, people will want to take on all the travel plans they put off due to the pandemic.

Foolish takeaway

I will tell you that there is a significant risk involved with Air Canada. The stock does not pay cash dividends to its shareholders, so investors can only rely on potential capital gains. If the pandemic continues for several months, you can lose the capital you invest in Air Canada. The company can go belly up. However, if there is a federal bailout, the stock can increase in value as soon as the pandemic ends.

It is a high-risk and high-reward scenario if you choose to invest in Air Canada. If you are willing to take the risk on, you might stand a chance to double or even triple your investment. For investors looking to avail safer options, the stock might not be ideal for you.

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