



1 Warren Buffett Strategy to Ride Out the 2020 Market Crash

Description

The market took a surprisingly positive turn on March 23, 2020. The S&P/TSX Composite Index has climbed by just over 25% since its year-to-date low, and many investors have a belief that we might witness a V-shaped recovery. As the COVID-19 pandemic ravages on, I would advise being wary of this rally because you could deal with rapid losses if a sudden reversal occurs.

I think we are not out of the woods by a long shot just yet. The [market is still volatile](#), and there is a tonne of risk on the cards. Weak earnings, pessimistic guidance for the 2020 fiscal year, dire economic environments, and never-ending uncertainties due to the pandemic leave much to be determined.

A V-shaped recovery might not happen

While investors are hoping for the markets to recover as soon as possible, there might be months to go before we see tangible stability. We could be in for a W- or U-shaped recovery, considering the terrifying numbers we will see in the coming months. You might want to keep some cash free for when high-quality stocks fall to considerably low values.

The headwinds are making me skeptical about a V-shaped recovery. Unlike previous recessions, we are witnessing something caused by a biological factor. There has not been a global financial crisis due to a global health crisis. With no signs of a vaccine for the next 12 to 18 months, the current rally might not sustain itself.

Follow a Warren Buffett play for the bear market

Many investors might be experiencing their first bear market. Many more have witnessed the bear market of 2008. In times like this, it is a smart move to consider the moves a successful investor made during the market meltdown.

Warren Buffett exhibits extraordinary patience during market downturns. Bear markets like the current one tend to last several weeks or even months. It is crucial not to panic in challenging economic

circumstances. It would be ideal to have cash on hand, so you can invest in the shares of high-quality companies at a discount. Beyond that, you can try and play it safe during the volatile situation.

Look for safe investments in assets that can perform well during a crisis and generate income for you while you wait out the bear market.

A safe dividend stock to consider

To this end, I think **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) could be an [excellent stock to consider](#) for your investment portfolio. Suncor boasts Canada's most significant integrated energy company infrastructure. It has operations for producing and refining oil as well as retail operations. The stock is trading for \$22.68 per share at writing — down by almost 50% from its January 2020 peak.

It experienced a plunge down to \$15 in March due to the Saudi Arabia-Russia oil price wars that brought commodity prices to a 20-year low. The sudden decline wiped off \$34.5 billion from Suncor's market capitalization.

The energy company recently raised \$1.25 billion in cash through the bond market. The company offered a 5% coupon, more than what it would typically pay. Still, it is a suitable offer considering the market situation amid the pandemic. The company also increased its credit facilities by an additional \$2.5 billion.

These moves ensure that Suncor has adequate liquidity to ride out the ongoing economic crisis. Suncor might use the current weakness in the market to add new reserves and production at bargain prices. The company did the same thing during the oil price crash in 2014 and 2015. It will not be a surprising move to see some of the same in the next 12 months.

Foolish takeaway

Shares of Suncor might be significantly discounted right now. I feel that it could be a fantastic opportunity to get a bargain price on a piece of the company. Suncor has a solid balance sheet, and it offers you relatively safer dividends. Its inflated 8.20% dividend yield could be excellent to lock in.

Suncor could be a fantastic option to consider during the coronavirus market meltdown. It is the only Canadian energy bought by the Oracle of Omaha himself.

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