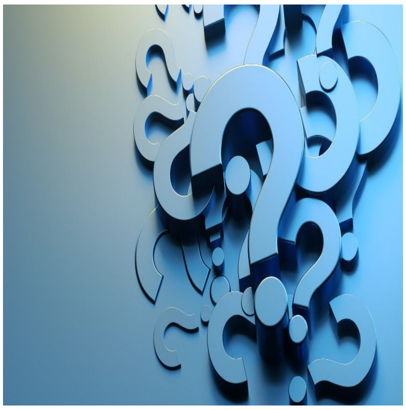

TFSA Investors: Should You Buy Stocks While Warren Buffett Sells?

Description

Warren Buffett is known to be greedy at times when others are fearful, so it came as a surprise to many to learn that the man we know as the Sage of Omaha didn't do much buying during the coronavirus crash — a time when many investors were gripped by fear and panic.

Heck, he was a net seller of stocks in April, as he liquidated his entire stake in the commercial airlines. As a Warren Buffett follower, it's tough to be greedy at a time like this, especially after April's incredible relief rally.

What if I'm a TFSA investor and haven't put my 2020 contribution to work?

It's tough to know what Buffett's next move will be. He acknowledged that he has absolutely no idea what's going to happen next with the markets. And if you believe that actions speak louder than words, it may be time to take more of a 'risk-off' approach with your portfolio following Buffett's seemingly bearish stance.

If it turns out that an effective coronavirus treatment or vaccine can be delivered sooner rather than later, the stage could be set for that V-shaped economic recovery that some bulls think we're in for.

But seeing as it takes many years for an effective vaccine to be developed and the possibility that we could be in for another wave of outbreaks after this summer reopening, investors should consider preparing for a "worst-case scenario" as Buffett seems to be doing with **Berkshire Hathaway**'s Fort Knox-like balance sheet.

Who knows if we're exiting the first of many lockdowns?

If worse comes to worst, there may be more stringent lockdowns over the duration of this pandemic. There are way too many unpredictable variables to justify an overconcentration in the cyclical areas of the economy, such as travel and leisure.

That's a significant reason why Buffett gave up on all of his airline stocks — and why you should be very selective if you're thinking about putting money to work at these most uncertain times.

That said, you shouldn't feel obliged to time your entry into the market if you've got more than enough liquidity to effectively deal with a worst-case scenario. While there are many bargains to be today, you should ensure that your portfolio is defensive enough to dampen the downside should more bad news spark the market's return to those March 23 lows.

Do invest today, but *don't* expect the worst of this pandemic to be over with

Consider shares of an undervalued bond proxy like **Hydro One** (TSX:H) to get you through these unprecedented times. In an era where dividends are being slashed, guidance is being pulled and cash flow streams are at risk, a company like Hydro One can inject your portfolio with a bit of certainty.

With a virtual monopoly over Ontario's transmission lines, cash flows are going to remain stable, the dividend is extremely unlikely to be reduced, and forward-looking guidance is unlikely to be changed drastically given the highly regulated nature of Hydro One's business.

Hydro One stock sports a 3.8% dividend yield, which is far safer than most other comparable yields out there right now. While the company has serious growth concerns that make it an unsexy stock for more risk-tolerant investors, I'd argue that what the stalwart lacks on the growth front, it more than makes up for on the stability front with its "unbreakable" regulated cash flow streams.

Foolish takeaway

If you're looking to heed Buffett's implicit warnings while getting a decent risk/reward at this juncture, look no further than Hydro One, one of few bond proxies that will have your back should this nightmare of a pandemic gets worse over the coming months.

Stay hungry. Stay Foolish.

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