



Why Warren Buffett Is Right to Be Cautious Amid the Pandemic

Description

Warren Buffett shocked the world when he disclosed that he had ditched his airline stocks in whole, while mostly sitting on his hands when it came to buying amid the [coronavirus meltdown](#). His sombre tone shouldn't be ignored by investors with today's profound uncertainties. While it's unlikely we're going to test those March 23rd market bottoms, I think it'd be foolish to assume that it'll be smooth sailing back to and above those pre-pandemic heights with the coronavirus still lingering out there.

Sure, the Fed has our backs, with no rate hikes on the table for the next two years and potentially beyond. But nobody knows whether printing money will be an effective cure for this public health disaster. We've navigated into [uncharted waters](#) with this pandemic for which there are no real historical comparables. As such, investors, especially beginners, should seek to take a page from Warren Buffett's playbook by exhibiting caution and positioning their portfolios to be ready for whatever happens next.

A depression, while unlikely after the ridiculous amount of stimulus, isn't impossible, even with the impressive tools at the disposal of central banks around the world. So, investors should always have a backup plan if a worst-case scenario comes to be, no matter how low the odds are perceived at any given instant.

Warren Buffett warns that *anything* can happen with markets

While there's no question that Warren Buffett has missed out on one of the quickest wealth-creating opportunities in recent memory by not backing up the truck with **Berkshire Hathaway's** swelling mountain of cash, I think it's too soon to judge the man over such a short-term horizon. All it could take are a few major down days, and Warren Buffett could look like the sage again through the eyes of retail investors.

If you're an investment rookie, it'd be wise to dip a toe into the investment waters while ridiculously wild market swings are the norm. Like Buffett, you should maintain sufficient liquidity, so you can buy shares of companies at even better prices and only purchase shares of bargains that you know to be

undervalued in the face of tremendous uncertainties.

A pipeline king among men

Consider shares of **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)), a tried and true pipeline kingpin with a long-term investment thesis that's little changed because of the pandemic relative to most other energy businesses out there. Warren Buffett looks to prefer such resilient plays over "all-or-nothing" bets, like the airlines, given the unprecedented uncertainties.

The company's resilience in the face of a crisis makes the stock somewhat easier to value than most other firms that depend on the eradication or containment of the coronavirus to get operating cash flows back to (or around) pre-pandemic levels. TC's exceptional stewards and diversification are major reasons why TC is seen as one of the few midstream operators that is still swimming with its trunks on.

TC recently clocked in solid quarterly results that beat the expectations of many. Comparable EBITDA came in at \$2.5 billion, up slightly on a year-over-year basis, while comparable funds from operation jumped around \$300 million to \$2.1 billion. The company is swimming with cash thanks in part to new pipelines, including the Sur De Texas.

With such robust cash flows, the company is in a position to grow its dividend at a time when most other companies are putting theirs on the chopping block. And with plenty of long-term growth projects on the horizon, TC Energy remains a king among men. Its investors can expect a well-covered 5.5%-yielding dividend to grow at an 8-10% rate every year, regardless of what happens next with this horrific pandemic.

Foolish takeaway on TC Energy and Warren Buffett's cautious stance

It's clear that Warren Buffett is a bit rattled by the cash flow-destructive effects of the coronavirus pandemic. If you're a new investor, you should seek resilient businesses that are still gushing with cash amid the worst socio-economic disaster in recent memory. Nobody knows what will happen next, and you should have investments that will do relatively well and continue growing out of this pandemic.

Today, TRP stock trades at a modest 1.94 times book and 7.9 times cash flow. Shares are cheap, the company is firing on all cylinders, and the name is ripe for picking for investors who want to play it safe, just like Warren Buffett.

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