A Warren Buffett Stock I'd Buy If Markets Crash Again

Description

The coronavirus market crash turned out to be one of the best buying opportunities in recent memory. The bargains evaporated almost as quickly as they arrived, however. If you hesitated and waited for stocks to bottom out before doing any buying, you missed out, albeit learned the hard way that timing the markets can be hazardous to your wealth.

So, forget the talking heads on TV and the short-term forecasts by those widely followed market strategists. If you see a bargain, you should scoop it up regardless of when everybody else thinks the bottom will be. It's as simple as that.

You don't need to buy a stock at the bottom to do well. Heck, the pursuit of the bottom will probably leave you farther from it as you look to chase stocks on the way up.

Warren Buffett doesn't know how to time the markets over the short term. While he didn't back up the truck precisely at the bottom of the Financial Crisis, he didn't have to capture excess risk-adjusted returns that were made available from the bargains that came to be as stocks tanked with no bottom in sight.

When he saw bargains, he bought. And as an investor, you should seek to swing at those perfect pitches that Mr. Market swings your way rather than seeking to lower the bar.

Lowering the bar on prices you'd be willing to pay for stocks comes with a high opportunity cost. If you make lowering the bar a habit in times of market turmoil, you'll eventually lower the bar below the market bottom without realizing it, and you'll waste a market crash, having done little to no buying.

Don't be a wallflower. Market crashes are a chance to pay less to get more. So, take advantage of them, hold your nose, and just buy something.

A Warren Buffett stock that's a must-buy on another market dip

If the market crashes again, one Warren Buffett stock I'd consider buying is **Suncor Energy** (TSX:SU)(NYSE:SU

). Today, shares of Suncor are already battered and bruised as oil prices have been under pressure as a result of the coronavirus-induced demand shock.

Recently, Suncor slashed its dividend (and capital spending) by 55% to improve upon its financial flexibility in this new normal for the Albertan oil patch. While Suncor's management team may be less than sanguine about the price of oil over the medium term, the stock represents one of the better risk/reward trade-offs for those willing to go against the grain in the oil patch.

Dividend cuts hurt, but sometimes, they're for the best

Prior to Suncor's dividend reduction, the company already had a solid balance sheet capable of weathering the hail storm on the oil patch.

With additional cash savings from the dividend cut (which should save around $1.5 billion per year) and capital spending reductions, Suncor now has what I view as a bulletproof balance sheet that will allow it to be one of few firms that can survive a potential bear-case scenario where this pandemic drags on through 2021, bringing down the price of oil with it.

While Suncor may have lost fans with its dividend cut, I'd argue it's far better (and more prudent) to be prepared for the worst (a prolonged low oil price environment) and run the risk of being proven wrong should things actually end up better than expected than running the risk of being ill-prepared for a bear-case scenario.

If we're in for a timely arrival of an effective coronavirus vaccine and the economy recovers hand in hand with oil prices, Suncor could easily give its dividend a massive boost.

The price I'd pay for Suncor stock

At the time of writing, Suncor stock trades at 0.9 times book, which is close to the cheapest it's been in recent memory. Should the market roll over again, energy stocks are likely to lead the downward charge, and I'll be looking to buy Suncor stock in the high teens as the dividend yield moves closer to the 5% mark.

Suncor is a well-capitalized energy player with a decent valuation here, but given the uncertainties, I demand a wider margin of safety.

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