Even Warren Buffett Was Caught Off Guard by the Double Market Crash

Description

One person who people around the world can unanimously agree is possibly the best investor of all time is the Oracle of Omaha himself, Warren Buffett.

If you have been playing with the stock market for as long as Buffett has with such success, you might see most of what the market has to offer. He has shown incredible prowess over the years in understanding the market in a way nobody else has. Buffett almost has a sixth sense about making ideal moves to leverage how it reacts to external factors with fantastic accuracy.

He’s shown his ability to capitalize on market weakness on several occasions. Even the 2008 collapse led to Buffett making more money than he lost. However, he thinks that the one-two punch with the current economic crisis is something he could never have anticipated.

Buffett’s reaction to the current situation

Warren Buffett still believes that the market crash of 2008 was the worst. More than US$3.5 trillion money-market accounts lost almost their entire value, and everything ground to a halt. The current situation is different. We are going through a double market crash between the oil price crisis and the COVID-19 pandemic.

Buffett is known for accumulating massive sums of cash that he uses to buy up stocks at excellent value during market weakness. He has done it before, and everyone expected him to do the same this time. However, his strategy has been different.

It can benefit investors to follow in Buffett’s footsteps if they want to emulate his success.

In a surprising move, Buffett dumped his entire holdings in airline stocks. He even went on to admitthat he had made a mistake by investing in airlines. For someone who usually sticks to hisinvestments, this was a bold move from Buffett, but it makes sense. The pandemic has decimatedairlines worldwide, and operations might not get back to normalcy for a long time, even after thepandemic ends.

Another surprising move is that Buffett is not really making any moves. His company **Berkshire Hathaway** accumulated a massive hoard of cash before the market crash. However, he has not made any major investments with the cash pile.

Prepare your portfolio

Despite the March 2020 rally, Buffett refused to make significant moves in the market. He has stuck to holding on to his cash. This might imply that Buffett knows something we don't. There is a chance that the Oracle of Omaha is not making any moves, because he anticipates another market crash.

You might have made investments to capitalize on the recent rally. It could be a good time to take a look at your portfolio and reprioritize your approach in case another market crash takes place. One of the stocks you might want to keep an eye on if the market experiences another downturn is **Canadian Apartment Properties Real Estate Investment Trust** (TSX:CAR.UN).

Canadian Apartment Properties is a Canadian Dividend Aristocrat that has seen a substantial recovery with the recent market rally. It also has an eight-year dividend-growth streak that it keeps on increasing. These factors make the REIT look like an ideal addition to your portfolio.

However, if another crash comes, the REIT might slump worse than it did in March before it recovered. The stock has a healthy 15.5% compound annual growth rate (CAGR). At writing, it offers a 2.84% dividend yield. It is a value stock that could turn into a value trap if it fails to recover due to a housing market crash.

Foolish takeaway

Buffett's reluctance to make any major moves in the market right now indicates that he feels there might be another crash. It could be a crash that might not see a rapid recovery that we've seen in the last few months. However, the Oracle of Omaha might be wrong.

If you feel there might be a crash coming, it would be best to move your capital to safer investments, and gear up to buy on weakness by adding more liquidity.

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