



## Market Crash 2020: Do as Warren Buffett Says, Not as He Does!

### Description

For many value-conscious investors, a market crash is a terrible thing to waste. Panicking never made investors big money, and come the next market-wide meltdown, you can be sure that panic will be in the air again. But if you can find it within you to just [hold your nose and buy](#), as stocks plunge violently off a cliff, you can treat market crashes as a gift courtesy of Mr. Market.

### Don't fear market crashes; expect them

Smart money managers, like the legendary Warren Buffett, view market crashes not as something to lose sleep over, but as something that's to be expected. As we witnessed during the coronavirus-induced meltdown back in February and March, stocks *don't* always go up.

Beginner investors learn this the hard way. But if you're looking to gain an edge over the broader markets, buying amid panic-driven market meltdowns is a must. You see, when Mr. Market loses his wits, and pundits describe the markets as "broken," self-guided investors have a chance to capitalize on severe mispricings on individual stocks.

When volatility goes off the charts, the degree of market inefficiency edges higher. And your chances to achieve excess risk-adjusted returns (market-beating returns) are that much higher than under a normalized market environment. The coronavirus crash turned out to be one of those rare generational buying opportunities, as the stock market was quick to stage a V-shaped recovery.

If you panicked, even for a moment, or tried to time the bottom, you likely missed out on the opportunity. As Warren Buffett says, you should "be greedy while others are fearful," and vice-versa, even though the man didn't take his own words of wisdom back in the first quarter, as he mostly sat on his hands when stock prices plunged.

### Do as Warren Buffett says, not as Warren Buffett does

Nobody knows when the next market crash will be. Some think that a second wave (which could

happen in fall) could trigger the next big meltdown, as the spread of the insidious coronavirus could spark further business shutdowns. But with all the promising COVID-19 vaccine and treatment news that's been coming out lately, there's no telling if the stock market will meltup or meltdown at this crossroads.

Some have argued that the market has already crashed and given the Fed's unprecedented backing that it's unlikely to retest those March depths. But, of course, you should realize that another market crash isn't impossible given the wide range of potential outcomes that Warren Buffett previously outlined in his 2020 virtual annual meeting with shareholders.

If the markets are going to crash again, you'll need to be ready to buy on the way down, at around the bottom, or on the recovery. It doesn't matter, as long as you buy and don't stay stuck on the sidelines, waiting for the perfect entry point that will come and go so quickly that you'll never have a chance to get in.

If you didn't buy on the last market crash, don't fret. Just be ready with some dry powder on the sidelines and a course of action, so you'll take panic out of the equation once the market inevitably implodes again.

## Waiting for a market crash?

At the same time, you should continue to scoop up the [bargains](#) as they come around, regardless of the condition of the broader markets or the macro picture that everybody else is already aware of. Today, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) strikes me as a value stock that's to be bought at this market crossroads.

Not only are shares of the highly regulated utility trading at what I view as a modest discount given the kind of recessionary environment we could find ourselves in, but the stock is also a terrific "all-weather" investment that's likely to outperform, regardless if we're heading for a market crash or a meltup on the advent of an effective coronavirus vaccine.

The stock sports a 3.5% dividend yield that will grow at a 5-6% rate every single year. If the stock market implodes again, shares will likely dampen the downside, providing you with a chance to limit your damages and the option to rotate into harder-hit opportunities as they come along.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

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