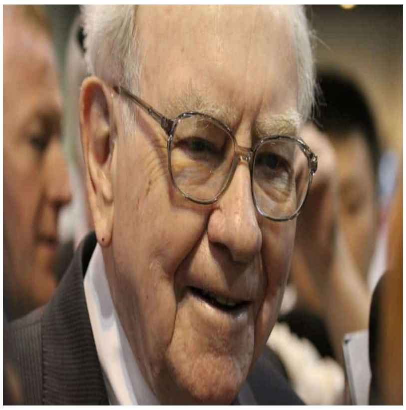

Warren Buffett: A Perfect Storm Is Coming

Description

Warren Buffett once said that you should “be greedy when others are fearful and fearful when others are greedy.” He is a wise man who has spoken plenty of wise words that reflect on his prolific and successful investment career, which spans decades.

Considering how much he has spoken about and acted on buying shares during market corrections in the past, the COVID-19-fueled market correction is confusing investors who look up to the Oracle of Omaha.

Buffett’s **Berkshire Hathaway** had been amassing a large cash pile several months before the pandemic struck. It was clear that Warren Buffett is increasing his liquidity, because he expected a significant crash. What happened — or rather, what didn’t happen — as the market correction transpired confused everybody, including me.

Timid market moves

During March 2020, stock markets worldwide saw a significant decline. Double-digit losses riddled publicly traded companies everywhere. This is the kind of situation where you expect Warren Buffett to buy up whole companies for a bargain. Instead, the Oracle of Omaha let the decline come and go.

At writing, the S&P/TSX Composite Index is back up by 44% from its March 23rd low. By the looks of it, the economies seem to be on a path to recovery. During this time, Buffett removed his entire positions in airline stocks, boosted his position in the **Bank of America**, and bought $9.7 billion of **Dominion Energy** stock.

While these moves might seem large, Berkshire sits on a significant US$137 billion in its cash pile. Buffett’s relative inactivity might suggest another significant market correction could be on its way.

Buffett’s energy acquisition

Buffett's purchase of Dominion Energy shows that he is betting on the energy sector, while most investors might consider staying away from the industry. **Enbridge** (TSX:ENB)(NYSE:ENB) is a Canadian energy company that has long been a favourite of mine, and Buffett's move makes me confident in the stock.

The stock took a hit like most of the sector with the onset of the pandemic and the oil price crisis. In 2020, the stock has declined by 16.85%. However, its share prices have climbed 25% since its March bottom. The company released its Q2 2020 earnings report on July 29, and it proved to be a strong quarter for the energy company.

The energy infrastructure giant reaffirmed its financial guidance range of $4.50 to $4.80 distributable cash flow per share in 2020. The company remains on track with its quarterly dividend payouts to its shareholders. At writing, the inflated 7.56% dividend yield is exceptionally juicy for investors, and its quarterly report suggests that it can continue financing its dividends.

Foolish takeaway

Considering its solid performance and discounted share prices, I think Enbridge could be an excellent addition to your investment portfolio. Warren Buffett is already going big on energy stocks while he holds on to most of his cash pile. It could be a sign that he predicts energy companies will fare better in the next market crash.

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