Warren Buffett: Another Stock Market Crash?

Description

Is Warren Buffett correct to keep cash on hand rather than invest during the COVID-19 pandemic? The stock market is full of uncertainties today as many publicly-traded companies experience falling revenue from sales. Nevertheless, this health crisis won't last forever, and many consumers are already shedding their fear in a desire for lifestyle normalcy.

The primary questions on the minds of investors are "How long is this going to last?" and "When will the global economy return to normal?" Meanwhile, technology companies like **Amazon** are gaining revenue as e-commerce gains at the expense of brick-and-mortar retail.

Technology stocks: Are they too expensive?

Value investors like Warren Buffett basically have a choice between underpriced and struggling underdogs in the stock market and increasingly expensive technology stocks.

Only time will tell whether the pandemic's end will bring about a market correction in these top COVID-19 technology stock picks.

Certainly, the trend of e-commerce was strong prior to the crisis. Nonetheless, we won't know how much of the gain in online market share will stick once the health crisis is over.

Airlines: Too early to bet on a rebound?

Warren Buffett sold $6.1 billion worth of stock holdings in April 2020, including all airline stock positions. Airlines appear cheap today. These stocks will certainly rebound once business and consumer demand for travel return to normal.

If you want to invest in airline stocks, now may not be a good time. The best strategy is to watch trends in travel and wait until demand begins to steadily increase. When people start flying again, revenue will increase and the stocks will start moving in the upward direction.

When you see this demand picking up, gradually start picking up these stocks in small amounts. That way, if these assets fall in market value, you can take advantage of cost-averaging by picking up another small stake on the price declines.

Just don’t try to catch falling knives. If another market crash is around the corner, you don’t want to be one of the bull investors who rushed back in too quickly.

Bank stocks: A market crash risk?

Berkshire Hathaway recently invested $1.7 billion in **Bank of America** shares despite analyst concerns regarding default rates. Strong banks bless Canadian investors with some of the best investment options available, but not without risk.

If the economy does suffer further declines in demand once COVID-19 economic stimulus expires, these default rates could increase sending bank stocks lower.

If Warren Buffett is bullish on Bank of America, maybe he sees banks as a good investment despite the higher risk of default during the economic weakness. Again, getting in slowly to Canadian bank stocks like the **Royal Bank of Canada** might be the best option.

You can set a goal of how much of your retirement portfolio you would like to devote to bank stocks. Then, you can start building up to that amount every week. If the stock price does fall after you make your purchase, you can pick up more shares for the lesser amount and let dollar cost-averaging work its magic in your TFSA or RRSP.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Stocks for Beginners
6. Tech Stocks

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Stocks for Beginners
6. Tech Stocks

Date
2025/09/04
Date Created
2020/08/11
Author
debraray