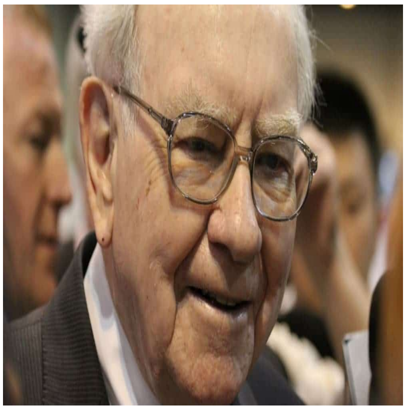

Warren Buffett Buys Back Stock, But We Aren’t Out of the Woods Yet

Description

There hasn’t been all that much activity from arguably the world’s greatest investor. And that’s during a time when stock prices trade well below fair value. However, if there’s little trading from Warren Buffett, many believe there has to be a reason.

The Oracle of Omaha has mainly been selling during this time and buying only a little. What this says is that Warren Buffett believes we aren’t out of the woods yet. Even more telling is that the investor simply doesn’t believe there’s a company out there worth his attention. And with the potential — nay, certainty — of future market crashes down the line, maybe we should all be looking at what Buffett is up to.

Warren Buffett’s moves to date

When the market crash happened, many expected Warren Buffett to start buying up in bulk. This simply didn’t happen. The stock market crashed across the world about 40% on average. Since then, most markets have come back by leaps and bounds, almost to pre-crash prices in some cases. Yet where was Buffett during this time?

Warren Buffett was simply stock piling cash. His hedge fund **Berkshire Hathaway** had a record $137 billion in cash while the markets were at the lowest point. By the first quarter of this year, the company had made about $1.8 billion in stock purchases but sold about $6.1 billion. Much of this came from Buffett getting out of airline stocks. Then, ahead of the second quarter, Buffett went even further and sold about $13 billion in shares. It marked his biggest selloff in a more than a decade.

It looks like all that cash was saved for a reason. After Berkshire Hathaway announced an 87% profit but a huge hit from COVID-19, Warren Buffett finally made a purchase: his own hedge fund. The investor bought up $5.1 billion in stock after the latest earnings report.

What now?

So, what is Warren Buffett planning? If he's buying up his own stock and selling other companies, there has to be something going on in the mind of this great investor. In my view, Buffett is simply doing what the rest of us are doing: looking to juggle his portfolios. When there are market downturns, it's the best time to take a look at how your stocks have been performing and perhaps get into something else.

With further market dips down the line, it could be that Warren Buffett simply wanted to see how companies reacted to the market downturn. Then, as the next one hits, he can buy up the stocks he saw perform well. The huge selloff means Buffett likely believes the next downturn isn't far behind. Now could be the time to look into stocks.

What to buy?

If you're going to act like Buffett, buy like Buffett. A company that continues to do well, even during a pandemic full of market volatility, is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The company still has a potential upside of about 45% as of writing to reach pre-crash prices. It also offers a solid dividend yield of 3.87% for investors. While it's performing about the same as the rest of the markets, another downturn could be a great buying opportunity for this stock.

That's especially if Berkshire Hathaway starts making some changes. If its stock shoots up, it's likely Restaurant Brands will, too. That's because Warren Buffett owns a 3.32% stake in the company as of writing. The restaurant company has been doing well even during the pandemic, with its three businesses (Popeyes Louisiana Kitchen, Burger King, and Tim Hortons) proving they can adapt to an extreme like a pandemic.

Investors looking to get in during the next market dip would do well to look at Restaurant Brands. The company is ahead of the pack when it comes to contactless food delivery. Even after the pandemic, it's likely this will be a necessity for many restaurants in the years to come.

Bottom line

If you're going to take the lead of an investor like Warren Buffett, then it's time to start taking a hard look at your portfolio. That's what he's done, and clearly he has the confidence that Berkshire will keep performing well. While that may not mean you can afford the share price of his hedge fund, you can certainly still reap the rewards with Restaurant Brands.

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