Warren Buffett: Do His Actions Show a Market Crash Is Coming?

Description

Warren Buffett was very quiet when the market crashed, even though his company had accumulated a lot of cash, anticipating a recession. A recession is coming, but not the way experts, or even Buffett, would have predicted. As he previously stated, the market is overvalued; it might indicate that even the crash didn't knock stocks down enough for Buffett's desirable valuation.

While Buffett is still relatively quiet now, he hasn't been as quiet as he was during the peak of the crash. He bought a massive stake in natural gas, improved his banking position, and, just recently, he bought back shares of **Berkshire Hathaway**. He spent $5.1 billion to this end, which is more than the whole year's worth of buybacks in 2019, and more than ever in one quarter.

But that's still a fraction of his total cash pile, and he can practically go on a buying frenzy. Does this lack of action indicate another crash?

Another market crash

The signs of another market crash are there. They are relatively subtle, but they are there, and Buffett's quiet might be one of them. If he thought that the first crash wasn't enough to push businesses down towards fair valuation (or even below it), the second one might do just that. And since he has a history of buying distressed businesses, giving them a fighting chance, and getting him a nice, big piece of the pie, he might be waiting on a second crash.

Many experts believe that the market has recovered prematurely and that the earnings do not reflect the stock valuation. There is a chance that stocks will normalize soon, but how potent the impact would be is hard to say. The market crash now might not be as sharp as it was in March, but it can be more profound and significantly more protracted.

Emulate Buffett

If you are a simple self-directed investor with reasonable assets, the chances are that you can't afford to buy whole businesses (or significant segments of a huge company), as Buffett does. But you can emulate his timing and buy during another crash. One stock you may want to look into is **Intact Financial** (TSX:IFC), Canada's largest casualty and property insurance provider.

Intact Financial second-quarter earnings were very encouraging for the company and its investors. The company grew its net income by 57% compared to the second quarter last year. It also increased its underwriting income substantially. It's a mark of efficient and robust management that the company managed to increase its earnings, despite offering about $350 million of relief to its customers during the pandemic.

IFC's stock fell about 23% from its start-of-year value during the crash, and it has already recovered. The 15-year-old Aristocrat is currently offering a dividend yield of 2.29%, which isn't grand, but another market crash can change that as well. IFC has a decent dividend-growth rate and even better capital-growth history. The 10-year CAGR is currently at 15.2%.

Foolish takeaway

Warren Buffett has enough capital to reshape the post-second-crash market and set his portfolio for at least a decade more *if* he puts the bulk of his cash pile to use. And though I won't advise you to use up all your liquidity to buy stocks during this crash, it's possible that you do not see the kind of bargain prices available during a second crash for at least a decade.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/07/05
Date Created

2020/08/15
Author
adamothman