Warren Buffett 2020: He Was Shocked by the Double Market Crash

Description

Rarely will people see a market crash unsettle Warren Buffett. The GOAT (greatest investor of all time) of investing relishes downturns, because that's where he makes his fortune. However, the 2020 crash is a shocking and whole new experience for the billionaire investor. It's a first for him in 89 years of investing.

The boss at **Berkshire Hathaway** describes the coronavirus and falling oil prices as the "one-two punch," which is scarier than previous financial crises. It kept Buffett on the sidelines for most of the market panic. He sold stocks rather than accumulate them. Some people were disgruntled when he did not deploy his $128 billion in cash.

Fearful of another crash

Buffett became active only in July 2020 when he bought the natural gas storage and transmission assets of **Dominion Energy** for $9.7 billion. Berkshire also increased its stake at **Bank of America** to 11.8% when it purchased $522 million worth of the bank stock. His empire sold its entire stake in **Goldman Sachs** in favour of **Barrick Gold** (TSX:ABX)(NYSE:GOLD).

It appears Buffett is sure another market crash is on the horizon. He's steering clear of companies affected by the coronavirus-induced shutdowns. Buffett ditched all his shares in **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), the owner of fast-food restaurants Burger King, Tim Hortons, and Popeyes.

Lost lustre

Buffett no longer sees Restaurant Brands as a shining star. Based on the latest filing with the SEC., Berkshire has zero stakes left in the owner of quick-service restaurants. The sale comes as a surprise, since Restaurant Brands is rebounding smartly from the pandemic.

The stock has risen 77.4% to $72.11 from its COVID-19 low. However, the restaurant stock is still losing by almost 11% year to date. Investors' sentiment changes when Buffett makes a move. For the Restaurant Brands, the effect of his puzzling action was negligible.

Restaurant Brands has revenues hovering around 90% of the sales levels. The company is riding high on the strength of deliveries and drive-thru operations. Its Q2 2020 revenue touched $1.05 billion, while net income was $163 million (36.5% lower vs Q2 2019). Analysts are recommending a buy rating after the recent quarter's strong earnings. The stock pays a 3.83% dividend.

Safety net

As of July 21, 2020, Barrick Gold is the second-largest gold producer in the world. Buffett is seeking the safety of this gold stock that is outperforming the market (49.31% year-to-date gain) and offering a 1.19% dividend. Its market capitalization stands at $63.63 billion.

Barrick Gold operates Nevada Gold Mines (NGM), the world's largest gold mining complex, and owns 61.5% of the business. According to Mark Bristow, Barrick's president and CEO, NGM is only one year old, yet it performed exceptionally well in its first year. The venture is meeting production and cost targets amid the pressure of COVID-19.

Rational move

Analysts speculate that Buffett chose to invest in the Canadian gold giant because it is highly profitable. The earnings are significant, while the annual free cash flow (about US$4 billion) from gold and copper mining is enormous. Buffett feels safer in a company that is less susceptible to earnings reduction due to the novel coronavirus.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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2. NYSE:QSR (Restaurant Brands International Inc.)
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