



Warren Buffett: Signals a Huge Market Crash Is Coming

Description

Are investors falling into a trap with the stock market stalking new highs? The highs seem to suggest uncertainty no longer dominates the investment landscape. But if you were to look at Warren Buffett's recent moves, the GOAT (greatest of all time) of investing is preparing for something else — a huge [market crash](#).

The chief at **Berkshire Hathaway** was never charmed by the glitter of gold. However, Buffett made a turnaround and took a position in **Barrick Gold**. His conglomerate bought \$21 million shares of the gold producer from Canada. Simultaneously, he ditched his entire stock holdings in an investment banking giant and trimmed his stakes in bank stocks.

New reality

Some experts warn the stock market rally is not a reflection of the broader economy anymore. Canada's economy remains in a precarious state, despite recouping 50% of jobs lost in March and April 2020. If Warren Buffett is undergoing a conversion and shifting to gold stocks, it signals unique risks.

Buffett's [sudden change in stance](#) appears directed to a new reality. Expensive stimulus packages are pushing deficits to unprecedented levels and swelling national debts. Canada is on track to post a \$343 billion deficit this year, and the government projects federal debt to top \$1.1 trillion in 2020-21.

Buffett's stock holdings

Buffett's investing process is on full display, although some of his moves are surprising. As of June 30, 2020, gone are his holdings in **Goldman Sachs** and Canadian quick-service restaurant chain **Restaurant Brands International**. Berkshire added more **Bank of America** shares and reduced stakes in **J.P. Morgan Chase** and **Wells Fargo**.

Berkshire also bought \$5.1 billion worth of its own stock — a record amount and the most ever in a

single period. Barrick Gold is the only new addition to Buffett's portfolio. The gold stock also replaces Restaurant Brands as one of only two Canadian stocks in the basket.

Bellwether energy stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)), the \$31.86 billion integrated energy company from Calgary, remains in Buffett's stock portfolio, despite the continued underperformance in 2020. This energy stock is struggling and losing 49.68% year to date, while Restaurant Brands is down by 12.34%.

Many ask if Suncor is due for a breakout. The oil sands king posted consecutive quarterly losses in 2020. In Q1, the company reported \$309 million in operating losses compared with \$1.2 billion operating earnings in Q1 2019. For Q2, the net loss was \$1.489 billion versus the \$1.25 billion net profit in Q2 2019.

Management said the low demand for crude oil and refined products plus the OPEC+ increase in supply caused a significant decline in commodity prices. However, Suncor made considerable progress in reducing operating and capital costs in Q2 2020. It remains on track to achieve the \$1 billion operating cost reduction and \$1.9 billion capital cost-reduction targets by year-end.

Losing value

The former bellwether energy stock recently cut its dividend by 55% as a prudent move. Suncor is paying a 3.84% dividend, although it's a high-risk investment prospect. With plunging oil prices and deteriorating global demand, Buffett might dump Suncor next, as he re-balances his portfolio before the next market crash.

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