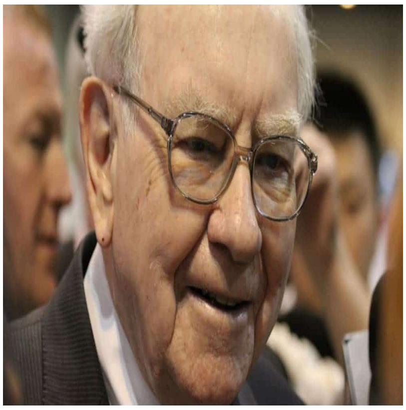

Warren Buffett: An Extreme Canadian Market Crash Could Happen in 2020

Description

Thousands of investors scrutinize the moves of Warren Buffett because it can influence the market. For instance, many of his followers will avoid the banking sector when they see **Berkshire Hathaway** selling its entire stock holdings in **Goldman Sachs** and trimming stakes in **JPMorgan** and **Wells Fargo** .

The motivation behind the moves is understandable. Buffett foresees increased loan defaults and structural imbalances expensive federal stimulus packages will create down the road. However, one transaction caught special attention. It seems to suggest the GOAT of investing is readying for an extreme market crash.

Lost appetite

The COVID-19 outbreak hammered **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). Its stock sunk 26.9% to $46.09 a week after the World Health Organization officially declared a global pandemic. The branches of Burger King, Tim Hortons, and Popeyes shut down to prevent people from contracting the deadly virus.

RBI stores eventually re-opened with the drive-thru and takeout operations doing brisk business. In no time, the $22.18 billion quick-service restaurant company recovered 90% of pre-corona sales levels. By mid-July 2020, the stock was trading at $78.60, or a 70.53% recovery from its COVID-19 low.

On August 14, 2020, the latest report on Buffett's stock portfolio came out. Berkshire Hathaway's filing with S.E.C., as of June 30, 2020, shows that it sold all its holdings in RBI. The divestment was surprising and unexpected. The Oracle of Omaha lost his appetite on the restaurant stock.

Opposing sentiment

Fortunately, the news from Buffett's camp did not cause a selloff. As Berkshire was unloading its RBI stocks, another billionaire was consolidating his stock portfolio. Pershing Square Capital CEO Bill

Ackman was exiting his positions in Berkshire and boosting stakes in the three fast-food chains' parent company.

Aside from dumping RBI and Goldman Sachs, Buffett also sold all of his **Occidental Petroleum** shares. His conglomerate is clearing its portfolio of companies most affected by the COVID-19 related shutdowns.

Meanwhile, Ackman's Pershing saw its R.B.I. holdings increase to 25.1 million shares. Unlike Buffett, Ackman remains bullish on quick-service restaurants.

Better positioned

Perhaps Ackman sees the growth potentials of RBI. Quick-service restaurants are better positioned compared with casual dining chains. The business is primarily built around takeout and drive-thru. The Popeyes' chain is leading the way as it continues to outperform every fast-food chain over the first half of 2020.

Management expects to deliver robust net restaurant growth next year as 93% of its restaurants globally are back in business. For would-be investors, RBI is currently trading at $73.18 and offering a 3.77% dividend.

Although the stock is still down 9.67% year to date, analysts forecast the price to climb 16% to $85 in the next 12 months.

Telling sign

Warren Buffett was discouraged by the impact of COVID-19 on fast-food stocks, so he parted ways with his long-time **TSX** stock. Berkshire Hathaway still holds two Canadian stocks, **Suncor Energy** and newly acquired **Barrick Gold**.

The sale of RBI shares did not make financial sense given the remarkable recovery of the business in the COVID World. However, Buffett's entry into gold is telling. If the world's most famous investor takes a known safe haven position, a market crash could be looming.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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