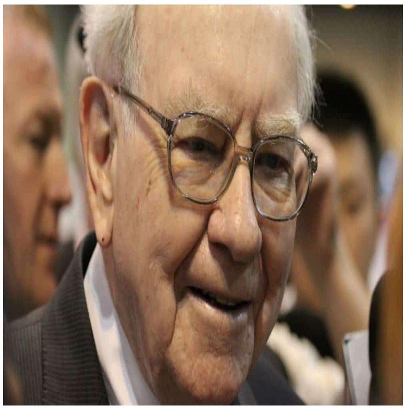

Warren Buffett: A Canadian Market Crash Could Be Coming Soon

Description

Warren Buffett stayed on the sidelines for the better part of the market crash. For many investors, when the time was ripe, and fantastic companies were trading at rock-bottom prices, Buffett didn't buy anything. Many such stocks recovered well over 100% and doubled their investors' money in a matter of months.

But now the wizard of Omaha is finally in action. His moves in the last few months gave many investors clues and ideas about where he thinks the market is headed. But the problem with emulating Buffett in his investment decisions is, again, of scale. When he buys into a business, his investment may have the potential to strengthen a company's profile.

Similarly, when he sells a business, a sizable portion of the market might peg that business as a risky or potentially failing investment. Though Buffett has been wrong on several occasions, his overall track record is still strong enough that when he deems a business not good enough for his portfolio, other investors pay attention. This is why his move regarding **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) might be worth looking into.

The company

Buffett selling Restaurant Brands International is a bad sign, and not just for the sector. The restaurants and the fast-food chains have suffered since the pandemic started, but RBI's woes go beyond the overall sector. The company has been suffering ever since its merger with Burger King, and the epidemic has just added more fuel to the fire.

But Tim Horton's poor performance is more than covered by Popeyes's impressive sales numbers, but this doesn't balance things out for RBI. Still, it's not reason enough to dump this stock, since it is likely to bounce back when the pandemic is a bit more under control.

Why did Buffett get rid of RBI?

A bad sign

Buffett's reason for selling RBI stock isn't apparent, but it might be beyond just a weak sector during a pandemic. He might've pulled back because he is expecting another major market crash. There are signs that a market crash is coming. The stock market was overpriced before the crash, and it has come very close to its pre-pandemic valuation (As a whole), while the economy is significantly weaker.

RBI is already closing hundreds of underperforming locations for all three of its brands. Another market crash and subsequent weak demand might make the stock even more vulnerable. And if another market crash is on the horizon, you can take an in-depth look at your investment portfolio as well and analyze which stocks are dead weight and will pull your portfolio down.

Foolish takeaway

The housing market was already due for a crash. The stock market is mostly propped up on a relatively smaller number of stocks that recovered too soon and are now growing rapidly (fueled by investor optimism), and will most likely follow. Buffett's indicator also reveals the discrepancy between the GDP and the stock market. All these signs point towards another crash, something that Canadian investors should start preparing for.

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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Date
2025/07/06
Date Created
2020/09/12

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