



## Warren Buffett: The Next TSX Stock Market Crash

### Description

Many investors are bracing themselves for another stock market crash this year, and Warren Buffett may be among them. COVID-19 hit the global economy hard this year. Many temporary stimulus measures are expiring, and shareholders want to prepare for what's next.

Global gross domestic product is in a perilous place due to social-distancing and self-quarantine recommendations. Optimists remember that the world will return to normal one day. Pessimists see the long-term effects this period of income loss is having on GDP growth rates.

Many publicly traded corporations, like airlines and the hospitality industry, have lost substantial income during this crisis. Restaurants are also struggling to stay afloat, even as take-out orders substitute for in-house meals.

In August, Warren Buffett announced in a regulatory filing that **Berkshire Hathaway** sold its entire stock position in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)). This may be a bad omen for the restaurant industry.

## Warren Buffett sells Restaurant Brands International

Restaurant Brands International stock has been down-trending since before the COVID-19 pandemic began. The stock sold at a high of \$99.21 in September of 2019. By February, before the March market crash, the market priced the stock at just under \$90 per share.

During the crash, Restaurant Brands International reached a low of \$36.48 per share. At the time of writing, investors can buy the stock at \$74.42 per share. That's a nice rebound, but the price performance may not last.

If anything, Warren Buffett's decision to sell tells us that he obviously believes that there are less risky and more profitable asset purchases available in the market. Another major concern to consider is whether restaurants can weather the storm of diminishing economic stimulus packages around the world.

Before you buy stock in Restaurant Brands International, ask yourself if there are better buy opportunities in the market today.

## Will the market crash again?

It is hard to say if the market is going to crash again. Market declines tend to be short while the rebounds take a little more time. If the market does crash, it will be quick and a little painful for some unprepared investors.

That's why it is always a good idea to keep some cash set aside. Even the best investors don't want to be all in on the stock market. To feel financially secure during turbulent economic times, cash is a solid reminder that you can afford to wait until the stock market rebounds.

Warren Buffett has been sitting on a lot of cash this year, and other analysts like Jim Cramer are also recommending that investors keep some cash set aside.

Even better: cash means that you can use bear markets to add to your stock market positions. Buying low and selling high is the best strategy for making money in the stock market. That means you need to be fearless to [catch market lows](#) to profit off the price rebound in the market.

## Bank of Canada committed to low interest rates

Central banks worldwide announced renewed commitments to low interest rates during the pandemic. This is good news for the stock market. The only question is if it will be enough to prevent downside volatility.

Even the fearless investor, Warren Buffett, has to think about downside volatility to prepare for prime stock buying opportunities.

At least the direct economic stimulus measures gave money directly to consumers to spend. Lowering bond yields will prop the stock market up, but consumers might not access the cash that Federal Reserve banks are pumping into the economy.

Until unemployment rates fall and incomes rise, profit will not return to some of these struggling corporations. Consumers need money to spend today to show shareholders during upcoming earnings reports that their cash is generating returns.

Now is not the time to get out of the stock market completely. There are still many [great investments](#) in utility and gold stocks. But it is a good time to assess risks before betting on restaurant stocks.

If you do buy restaurant stocks this year, invest slowly with a long-term mindset and understand the risks.

## CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

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

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