



Stock Market Crash: Warren Buffett Is Ready for a Spooky October Sell-Off — Are You?

Description

With the broader markets in (or close to) [correction](#) territory, many jittery investors fear that the stock market crash (if you can even call it that) could worsen as we head into October. While September is historically a [spookier](#) month for stocks, it'd be wise not to assume that the worst is over and that the damage from the current sell-off will be capped at a correction.

Tremendous uncertainties lie ahead, and although we're closer to a safe and effective vaccine than we were back in February and March, investors should follow in Warren Buffett's footsteps by erring on the side of caution as stocks continue to march into uncharted waters.

Warren Buffett is ready for another round...

While the uncertainties that lie ahead are profound, you should seek to embrace such an environment by being ready to roll with the punches that'll likely continue coming your way. Volatility isn't the same as risk. If you've got dry powder on the sidelines and a diversified portfolio that balances pandemic-related risks, you're ready for another round with Mr. Market.

Like Buffett, you can treat a worsening of this stock market crash as some sort of Boxing Day Blowout sale on stocks and not a stressful panic-inducing experience that'll leave you hovering your hand over the sell button.

You see, Warren Buffett couldn't care less what Mr. Market decides to do over the near-term. His focus is on the long-term. He doesn't know what will happen next with this pandemic. However, he doesn't need to know as his portfolio is well-equipped to sail through another patch of rough waters. Warren Buffett may have been late to de-risk his portfolio after ditching airlines and bank stocks after they've already lost a considerable amount of value back in the February-March stock market crash.

Given the potential worst-case scenario with this pandemic that could bring forth airline bankruptcies en masse alongside skyrocketing provisions for credit losses (PLCs) and negative interest rates for the

big banks, it becomes more evident that selling such highly vulnerable firms at a slight loss is better than running the risk of losing one's shirt.

Stock market crash: The stage looks set for a spooky October

Now, there's still a tremendous amount of upside in stocks such as **Air Canada** if a safe and effective COVID-19 vaccine were to land in a timely manner. If your portfolio is well diversified (like Warren Buffett's), with the right mix of COVID-resilient plays, a high-upside airline makes a tonne of sense to add to your portfolio.

The fact remains that the airlines, like COVID vaccine plays, depend solely on the outcome of a contingent event. The risks couldn't be higher for such plays, but so too are the potential rewards.

As we inch closer into October, investors should brace themselves for more turbulence, as the current second wave of COVID-19 infections threatens to put various hard-hit geographies back into lockdown. If lockdowns turn out to be widespread, there's no question that the partial economic recovery we've witnessed in the second and third quarters could be undone and then some.

Fortunately, investors have the U.S. Fed standing on their side, so any worsening of this stock market crash should be viewed as an opportunity to deploy any excess cash.

Foolish takeaway

Warren Buffett has a mountain of cash to put to work should panic be in the air once again. After all, it's only prudent to be wise to hope for the best as you expect the worst in the face of another wave of COVID-19 outbreak.

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