



## Warren Buffett: 1 Wise Quote on How to Handle a Recession

### Description

Should people react differently to a pandemic-induced recession? COVID-19 is affecting business operations and economic activities on a scale not seen before. Governments have implemented stay-at-home and lockdown measures to contain the spread of a deadly virus that threatens people's health and livelihoods.

On the stock market, a deep recession is a grave concern. Investors look up to investment luminaries like Warren Buffett for [advice and guidance](#). Over the last 40 years, the Oracle of Omaha has been writing open letters to **Berkshire Hathaway** shareholders. Each letter contains insights into his investment strategies.

In his tenure as chairman of the renowned conglomerate, Buffett witnessed eight recessions. One of his homespun investing quotes relates directly to handle a recession. "Only when the tide goes out to do you discover who's been swimming naked." This quote was written in 2001 and is certainly applicable in the current investment climate.

### Naked swimmers

The [sentiment of fear](#) remains high since hell broke loose in March 2020. COVID-19's impact was so extensive, from the global population to supply chain and corporate earnings. There was panic or indiscriminate selling as investors lost focus on the relationship between price and earnings.

It seems there's no place to hide in this coronavirus recession. However, it would help to understand what Buffett means with his naked quote. When business conditions are generally sound and favourable, most market participants look good. Even flawed or weak business models will temporarily report decent profits.

The reckoning comes when the tide is out, or business conditions worsen. You can easily distinguish companies with good business models from firms that flourish only during boom times.

No one can really know how well or poorly a company is doing until a major challenge comes along.

Although the full extent of COVID-19's damage is not yet known, many industries such as aviation, hospitality, leisure and entertainment are already in the throes of despair.

## Recession-resistant investment

Buffett seeks attractive investments when there's a recession. He also said a climate of fear is his best friend. Some of his significant investments were during market crashes. While the recession atmosphere is fearful, it doesn't mean there's no opportunity to increase wealth or pursue long-term financial goals.

**Emera** ([TSX:EMA](#)) is a super safe choice for income investors. Despite the uncertainty in 2020, President and CEO Scott Balfour, promises no dividend cut but a growth rate of 4% to 5% through 2022. Over the last 20 years, it was 6%. Currently, the dividend yield is 4.42%. A \$50,000 investment will generate \$2,210 in passive income.

This \$13.65 billion high-profile energy and services company is confident to fulfill its promise. The budget for its capital growth program is \$7.5 billion, which means the rate base should grow faster. Emera's cash flows should be more than adequate to sustain dividend payouts for years.

## Value investing

Warren Buffett is no stranger to recessions and market crashes. He was momentarily stunned by COVID-19 and the oil price war in the first quarter of 2020. However, Berkshire Hathaway is beginning to pounce on quality investments, not so-so businesses, with marked-down prices.

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