



Warren Buffett: Ready for a Second-Wave Market Crash

Description

Warren Buffett has been unfairly criticized over this past year for his moves or lack thereof. The February-March market crash will go down in the history books as one of the steepest sell-offs in excess of 30%. And it'll also go down as one of the best short-term buying opportunities, one that Warren Buffett mostly missed, as he was more inclined to be a seller than a buyer in the face of pandemic uncertainties.

To the shock of many, Warren Buffett ditched all of his airline stocks at a loss while drastically reducing his exposure to the big banks. The man eventually did some buying, but he played it defensively, with top gold miner [Barrick Gold](#) and grocer **Kroger**, as most folks on the Street were betting on a V-shaped economic recovery from this COVID-19 crisis.

More pain ahead

Fast-forward to today, the relief rally has [run out of steam](#), and COVID-19 cases are soaring once again. Various localities have “lost control” of the insidious coronavirus, with few options other than shuttering the economy once again, with another round of government-mandated lockdowns.

Indeed, the news has rattled many investors that should not be surprised at the latest barrage of bad news relative to COVID's second wave. After a year of careful de-risking and bolstering with defensives, Warren Buffett is ready for another round in the ring with Mr. Market who could find himself swinging wildly going into year's end.

And Warren Buffett's biggest critics who've betting on the V-shaped recovery? They're going to be silenced if they haven't been already.

While it's good to be optimistic about the timely advent of a safe and effective COVID vaccine, it's also just as vital to be prepared for a bear-case scenario such that one isn't put in a position to fall into financial ruin. Investing is as much about mitigating downside risks as it is about maximizing potential upside.

Many beginner investors have likely forgotten this in recent months, and those who remain unprepared and unwilling to take a profit could be in a position to feel the full impact of a coming sell-off.

It's not too late to follow Warren Buffett

Fortunately, it's never too late to heed Warren Buffett's implicit and explicit words of warning. All you have to do is tune back into **Berkshire Hathaway's** virtually-held 2020 annual shareholders meeting to get a feel of how the man's approaching this pandemic-plagued market environment. Warren Buffett's cautious approach has likely been little-changed following the last several month's worth of relief rally. If anything, the bounce may have Buffett more inclined to add to his defensive positions.

As a potential second wave looms, it may be time to rotate back into names like **Loblaw Companies** to follow in Warren Buffett's footsteps. As an essential business, Loblaw's cash flows will remain relatively resilient, as most other firms look to face a massive revenue hit.

Loblaw may not be the sexiest high-upside bet in the world, but it's one that can help you preserve your wealth in this type of brutal environment. With shares down over 10% from their all-time highs, I'd say now is a great time to batten down the hatches with the name while it's relatively cheap.

Foolish takeaway

Warren Buffett has looked quite foolish (that's a lower-case "f") for most of 2020.

He missed out on the best buying opportunity in decades, as he de-risked Berkshire's portfolio to better weather the COVID storm. Pretty easy to conclude that the man has lost his edge. As we inch closer to the holidays, an abrupt market reversal will make Buffett look like a genius yet again. As such, I'd encourage investors to be cautious like Buffett by balancing their exposure to COVID in the face of a potential second-wave market crash.

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