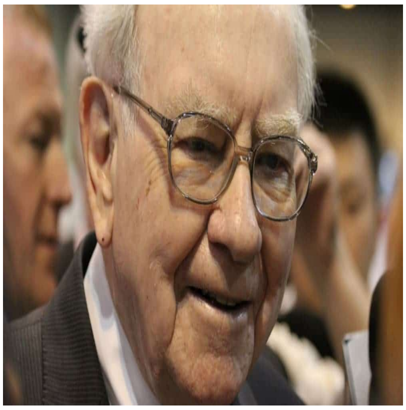

Warren Buffett: In the Eye of a Stock Market Hurricane

Description

Warren Buffett is an iconic figure in the stock market. Whenever he makes a move, investors, especially large-scale investors, try to decipher what Buffett saw in a business he bought or why he sold a particular business. Even retail investors might get a hint from Buffett's decisions, especially when he sells a business.

That doesn't mean he is always right. He makes mistakes, like everyone else, but his knowledge, experience, and wisdom of the stock market ensures that he is right more times than he is wrong.

Investors especially pay attention to Buffett's moves during and after a market crash. He has a habit of buying distressed and profitable businesses when they are suffering during a market crash or a recession and turning a neat profit when they recover. Since Buffett prefers to stick with fundamentally sound businesses and not just companies that present good opportunities in a market crash, he can point you towards long-term holdings.

But Buffett's decisions during this market crash are pointing towards something else.

In the eye of the storm

Investors, the stock market, and Buffett himself are currently in the eye of the storm. We've already passed through the dangerous wall to get to the eye, but right now, we are enjoying the temporary calm. Outside the eye, a storm is brewing, and it's getting stronger.

This might be what Buffett's unconventional moves are pointing to. After decades of opposing the metal, he invested a sizable chunk in a gold company. While it might not be enough to play a "hedge" for a portfolio this size, the act of buying gold itself indicates that Buffett might be seeing something others aren't.

He also sold **Restaurant Brands International**, a company that showed remarkable recovery after the pandemic. But as the second wave of the virus gets stronger, it might trigger another round of lockdowns. That might be enough to brutalize the fast-food industry. And if it brings another market crash, the situation might be even direr for RBI.

A silver lining

The only silver lining here is that another market crash might be another chance to invest in great companies at a great price. One stock that you might look into is **BRP** (TSX:DOO) — strictly as a recovery stock. It has shown phenomenal growth since the crash and is currently trading at a price that's over 266% higher.

So, if you had invested in the company when it cratered, you'd now have grown your capital more than 2.6 times. BRP has shown sporadic growth bouts in the past, but the stock doesn't offer a lot of consistency. It also pays dividends, but the current yield is under 1%. One more weakness of this stock is a weak balance sheet. Its liabilities are a bit over total assets.

Foolish takeaway

Another market crash is highly likely. Warren Buffett's new acquisitions and exits that are flashing warning signs, but that's not all. The market was already overpriced before the crash. And it recovered too fast for the underlying economy to catch up. The disparity between the two is only increasing, and the match that can light the fire (the second wave of a pandemic) has already been lit.

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Date
2025/08/29
Date Created
2020/10/28

Author
adamothman