



## 2020 Market Crash: What Would Warren Buffett Do?

### Description

I've been warning investors ad nauseam over the past several weeks over the possibility of a second COVID crash amid rising fears of the coming U.S. presidential election and rapidly rising coronavirus cases that threaten to put the Canadian and U.S. economies right back into lockdown. Indeed, Wednesday's vicious sell-off, which saw the **S&P 500** and **TSX Index** nosedive 3.5% and 2.7%, respectively, seemed to rhyme with the "Wile E. Coyote" moment suffered back in late February.

### Did you hear the alarm bells ringing?

"Many pundits, including the likes of analysts at **Morgan Stanley**, are calling for a [market correction](#) (a 10% drop) to hit at some point within the next two months. A surprise result from the presidential election amid worsening coronavirus cases could be the final push that this market needs to fall back to those September depths as a part of a correction that will likely spare few investors." I wrote on Monday, urging investors to be cautious heading into the week. "While Morgan Stanley expects a run-of-the-mill correction, I wouldn't rule out a more vicious pullback that could send us into yet another bear market moment, given this choppy market's propensity to [overshoot](#) (either to the upside and downside)."

With the S&P 500 now down shy of 9% from its all-time high, the correction Morgan Stanley warned of is now just another bad day or two away from concluding. Given the potential for negative momentum to overshoot to the downside, though, I still think it's a good idea to be like Warren Buffett and rotate into defensives if you find your portfolio is out of balance, with either an overexposure to COVID-19 risks or excessively expensive tech stocks that could have far more downside going into year's end.

### 2020 market crash part two: Warren Buffet is ready. Are you?

Although the circumstances are different, with an accommodative U.S. Fed, a bit more knowledge about the nature of the coronavirus disease, and the first COVID-19 treatment in the form of FDA-approved Remdesivir, the pit in the stomachs of investors feels all too familiar.

As panic becomes the dominant aura on Wall and Bay Street once again, investors should look to calm their nerves, so they're not inclined to sell at what could be the worst possible time. If you panicked back in February and March, odds are, your emotions caused you to sell stocks at a loss. And you probably missed out on a majority of the huge rally that followed over the subsequent months.

If you didn't take my past advice by trimming profits and rotating into defensives, it's not too late to do so, as the latest panic-driven sell-off did not discriminate between risk-on and risk-off assets. Even if you think the current correction is all but over, it's still worthwhile to bring your portfolio back into balance, so you'll be ready for the next crash, which will probably be sparked by COVID-19 once again.

The "everything sell-off" left investors with few places to hide on Wednesday's session. Once investor's nerves have a chance to calm, though, I suspect Mr. Market will correct his mispricings with unfairly battered risk-off equities, and that makes them compelling buys on continued weakness, as the second-wave market crash looks to worsen.

## Looking for safety? Head North West!

What should you look to buy as memories of the February-March 2020 market crash? Look no further than names like **North West Company** ([TSX:NWC](#)), an essential grocer that's in a spot to bounce back should this initial "everything sell-off" evolve into a vicious rotation from risk-on to risk-off assets. North West serves the underserved, and its stock had no right selling off 2.2% on Wednesday, given its recession- and pandemic-resilient nature.

If you're looking to batten down the hatches alongside Warren Buffett and many other cautious investors, North West Company is a terrific buy on this latest dip. Shares are now down 11% from their highs, with a juicy 4.4% dividend yield at a price that I believe is too good to pass up. Like back in the February-March market crash, NWC isn't immune to downside. However, once things calm down, NWC is likely to be one of the stocks that'll be among the first names to revisit its pre-crash highs.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Coronavirus
2. Investing
3. Stocks for Beginners

**Date**

2025/08/02

**Date Created**

2020/10/29

**Author**

joefrenette

default watermark

default watermark