
# Warren Buffett: A 2020 Market Crash Could Be Your Chance to Make Millions

## Description

Investors continue to remain jittery, as the gloomy clouds of a full-blown recession loom over equity markets. The COVID-19 pandemic has impacted companies across multiple sectors that include retail, energy, airlines, and hospitality.



The business shutdowns and closed borders led to a massive spike in unemployment rates. This sent shares of banking companies to multi-year lows, as investors are worried about the possibility of an uptick in default rates.

The Canadian government has pumped in billions of dollars via federal benefits to improve consumer spending and boost the economy, but this remains a temporary solution. The equity markets lost 36% in just over a month earlier this year. While the snap-back rally has surprised investors, it remains sustainable.

The second wave of coronavirus infections in Europe and North America spooked the markets last week, as another round of economic shutdowns will spell doom for global markets.

The markets in the U.S. are significantly overvalued if we consider the Warren Buffett Indicator, which calculates the market cap-to-GDP ratio. If the ratio is below 100%, the markets are undervalued, and vice versa. As of November 3, this ratio was 178% for markets south of the border, which means a massive correction is on the cards.

## Invest like Warren Buffett in a market crash

However, dark clouds have a silver lining. A market crash will provide you with an opportunity to buy quality stocks at a depressed valuation. Warren Buffett has advised several times that you need to “be fearful when others are greedy and greedy when others are fearful.”

This means investors need to be on the lookout to buy stocks when others are selling. A market sell-off makes investors panic, as there is a rapid decline in stock prices and portfolio values. However, it does not make sense to hold your savings close to your heart and wait for the storm to pass.

It is impossible to time the market and you should instead look to buy the dip. Companies with strong fundamentals will come out of a recession relatively unscathed. However, when stocks of quality companies take a hit during the crash, it a fantastic opportunity to load up on these companies.

For example, **Apple** stock was trading at $7 per share in December 2007, and it fell to $3 per share in the next 12 months. Even if you could not time the bottom and bought 200 shares at $5 each, your $1,000 investment would have ballooned to $22,000 today.

Here is one such company that has the potential to increase your wealth multi-fold in the upcoming decade.

## Shopify stock has returned 5,400 since IPO

One of the top stocks on the TSX to buy on the dip is **Shopify** (TSX:SHOP)(NYSE:SHOP), which is also Canada's largest company in terms of market cap. Shopify has been on an absolute tear since its IPO and has returned a staggering 5,500% in fewer than six years.



In the third quarter of 2020, Shopify sales almost doubled year over year, and the e-commerce giant easily surpassed Wall Street estimates. The COVID-19 pandemic has acted as a tailwind for tech companies, including Shopify, and accelerated the shift towards online shopping.

Shopify is part of a rapidly expanding addressable market and has multiple growth drivers making it one of the top growth stocks to bet on for the upcoming decade. It also generates a significant portion of sales from subscription solutions, which will help it generate a steady stream of income across business cycles.

## The Foolish takeaway

A market crash is never something to look forward to but it is also inevitable. You are bound to see your portfolio value slump no matter how efficiently you prepare. But instead of hoarding cash, you can keep some dry powder ready and make smart investments in a sell-off. These returns will more than make up for the losses you have suffered.

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1. Investing
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