Warren Buffett: Use This 1 Strategy in an Unstable Stock Market

Description

Billionaire investor Warren Buffett is back in the driver's seat, steering his conglomerate in an unstable stock market. **Berkshire Hathaway** has ramped up its stock-repurchasing program, spending a record US$9 billion in Q3 2020. The company's total buybacks thus far this year is now US$15.7 billion.

The U.S. presidential elections are over, but the COVID-19 pandemic remains a market hazard. All investors, including Buffett, worry about managing their stock portfolios. However, the GOAT of investing knows one strategy investors can use to navigate a volatile landscape.

Dollar-cost averaging

The investing legend that he is, Buffett resorts to dollar-cost averaging that should work during uncertain times. The concept is simple, and the steps are easy to follow. First, pick some stocks, then figure out how much you can afford to purchase or invest. The third step is to commit to buying shares at pre-set intervals.

Let's assume you pick **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). Dedicate $200 every two weeks to buy shares of the quick-service restaurant operator. Buy QSR every two weeks regardless of the trading price on the day of purchase.

Better concept than timing the market

Buffett's idea here is that you might overpay for shares in some weeks and underpay in some. Things should work out in your favour, because you'll be ultimately paying a lower share price all in. Also, the concept of dollar-cost averaging is safer to use than rack your brain timing the market during shaky periods.

For the Oracle of Omaha, timing the market is a fruitless exercise, because you might miss out on great buying opportunities. Also, you risk getting stuck with a higher stock price overall. Keep in mind that the stock market is unpredictable, even in a good week, but could turn wild when there are risk factors like COVID-19 and elections. It is crucial to be consistent.

Restaurant industry under pressure

Warren Buffett didn't think twice about ditching businesses fraught with risks due to the coronavirus-induced shutdowns. The restaurant sector went on a tailspin, with Restaurant Brands's shares sinking to a low of $39.89 on March 18, 2020. Berkshire promptly sold its entire holdings in Q2 2020.

On November 6, 2020, the stock closed at $70.21 or a 76% rebound from its COVID-low. Investors are still losing by 14% year to date, although enjoying a 3.91% yield. Barring a return to lockdowns, analysts forecast the price to climb 17% to $82 in the next 12 months.

The situation of the franchisor and owner of Burger King, Tim Hortons, and Popeyes is precarious with the second wave of COVID-19. In Q3 2020, sales of the burger resto and coffee chain fell by 7% and 12.5%. Only Popeyes is the standout with a 17.4% comp year-over-year increase.

Lower-price menus, the strength of the network's drive-thru operations, and fast-growing delivery channels should keep the businesses afloat in a down economy. However, the challenges will be tough in the coming months.

Looming comeback

Warren Buffett's successful investing track record should be enough for people to take his advice seriously. COVID-19 is also negatively affecting Berkshire Hathaway. But you can be sure the company's most recent investments will deliver massive gains down the road.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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1. Business Insider
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