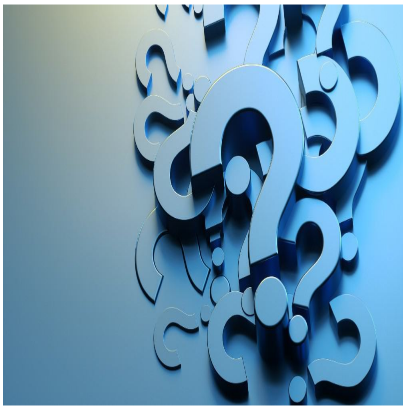

Market Crash: Is Warren Buffett Still Worried About the Pandemic's Impact?

Description

After the 2020 market crash, Warren Buffett sounded pretty sombre in his virtual annual meeting with **Berkshire Hathaway** shareholders. The unprecedented crisis causes Buffett to look back to the dark days of the Great Depression but urged investors to continue betting on America.

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Warren Buffett ditched his position in major airline stocks (in retrospect, that turned out to be a mistake) and threw in the towel on some of his beloved bank stocks while accumulating shares of grocers. The man's cautious outlook was unmistakable. That said, he also acknowledged that he had no idea what the insidious pandemic would have brought forth next, given the limited vaccine clarity at the time.

The COVID-19 crisis could have longer-term ripple effects

Both Warren Buffett and Charlie Munger acknowledge that there could be longer-lasting consequences of excessive money-printing and stimulus to avert what would have surely been a nasty economic depression, the likes of which the world may not have seen since the Great Depression that followed the market crash of 1929.

With Warren Buffett buying stocks and trimming his exposure to gold miner Barrick Gold in the recent quarter, it seems as though the man is no longer worried about a pandemic-induced depression. While Buffett looks to be bullish again, he's certainly not backing up the truck.

Berkshire's cash hoard is still massive. While Buffett seemed to have missed out on one of the greatest short-term buying opportunities of all-time with the February-March market crash, he doesn't seem ready to make up for lost time just yet.

With the markets climbing back on renewed vaccine hopes, investors seem to be playing the 2021 end of the pandemic rather than gearing up to play defence against the second (and hopefully last) wave of coronavirus cases. With stocks swelling to new heights and the possibility of a double-dip recession before vaccines have a chance to bring forth herd immunity, I wouldn't at all be surprised to see Warren Buffett back up the truck with Berkshire's cash pile on the next double-digit percentage drop in the markets.

“Bet on America (or Canada), but do so carefully!”

Warren Buffett is typically a net buyer of stocks every year. If things take a turn for the worst, he’ll get greedy while others run for the hills. That said, he’ll remain cautiously optimistic, as the pandemic’s impact is likely to be felt for years after COVID-19 is conquered.

There’s no question that the environment that lies ahead is highly uncertain. Given the unprecedented fiscal and monetary stimulus, as well as the swelling national debt in Canada and the U.S., there really aren’t many tools left to combat the next crisis if it were to happen within the next few years. With growing concerns over an unchecked rise in inflation and an uncertain outlook for longer-term economic growth, the thought of stagnation comes to mind.

For longer-term investors looking beyond this pandemic, it doesn’t make sense to go all-in on stocks. Rather, like Warren Buffett, investors should be humble enough to be ready for whatever happens next. The COVID-19 crisis shows that unforeseen black swan events can happen at any time and that investors should expect such impossible-to-predict disasters to come up every once in a while, even if a market environment seems the strongest it’s ever been.

Want to be cautiously optimistic like Warren Buffett? Look to Fortis

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If you’re like Buffett and are ready to get bullish on stocks but don’t want to get complacent over the plethora of unknowns that remain, it’s time to consider scooping up battered defensives like **Fortis** while they’re treading water. Investors are rotating back into COVID-19 recovery “value” stocks with fury. While such a rotation is warranted, I don’t think quality blue-chip defensives like Fortis should be a casualty in such a rotation.

With valuations at the lower end, I’d urge investors to consider buying stocks like Fortis while complacency is high and the price of admission is low into such “safety” plays are cheap. Like insurance, you’re going to want to purchase defensives before the event you’re looking to insure against actually ends up happening.

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