



## Warren Buffett: Don't Rule Out Another Market Crash

### Description

Warren Buffett is always ready for the next stock market crash. Although the man looks silly for having not backed up the truck on one of the best short-term [buying opportunities](#) in recent memory with the February-March coronavirus sell-off, he's more than "willing to look like an idiot in the short-term" to improve upon his portfolio's longer-term risk/reward.

We've seen Uncle Warren face many tough critics in the past, who may claim that the Oracle has lost his investment edge or that his investment strategy is outdated in the new era.

But almost every time, the great Warren Buffett ends up coming out on top, and his doubters end up going silent — at least until the next time **Berkshire Hathaway** underperforms the **S&P 500** over some arbitrary period.

Warren Buffett is the greatest investor of our time — not because he has a crystal ball handy or a knack for making bold bets in response to macroeconomic projections, but also because he's able to block out the noise and stay focused on the truly long term.

Today's definition of long-term investing has undoubtedly changed for the average investor, with commission-free trading south of the border and apps that incentivize making investment decisions on the day-to-day or the week-to-week.

Depending on who you ask, the average holding period may span from several months to a year. The old-school definition of long term, though, is the only investment horizon that Warren Buffett cares for.

He seeks to hold a stock for years, if not decades, at a time. When it comes to names like Coca-Cola, he's more than willing to hold forever.

## It's the long term that really counts

While Warren Buffett's favourite holding period is forever, fundamental theses can change, either over the years through technological disruption or via black swan events like the coronavirus crisis.

Warren Buffett didn't know with any degree of certainty when or how the pandemic would end; he merely responded to the crisis with actions to improve upon his overall risk/reward, rather than seeking to maximize his upside like most others who went all-in during the February-March sell-off. The **S&P 500** and **TSX Index** have taken off since the coronavirus market crash, and they haven't looked back. At least, not yet.

## What's Warren Buffett up to now?

While Warren Buffett has been buying stocks again, he certainly isn't keen on backing up the truck with Berkshire's cash hoard quite yet. Moreover, his recent actions (bets on grocers, gold miners, Japanese trading companies, and pharmaceutical stocks) seem to suggest that he's more than content with playing it cautiously optimistic, given there may still be unforeseen consequences from the U.S. Fed's response to this crisis that may be seen down the line.

Warren Buffett has still been a net buyer of stocks, but Berkshire's cash mountain is on standby, waiting for the next big opportunity in the form of a market crash or a sustained bear market.

While various U.S. banks are calling for handsome gains in 2021 (two are calling for double-digit gains), as the economy bounces back from this crisis, I'd urge investors to heed Warren Buffett's cautiously optimistic approach, as market crashes tend to hit when the future seems bright enough such that investors let their guard down.

## Foolish takeaway on market crashes and Warren Buffett's cautious optimism

Amid surging COVID-19 cases, I think now's a great time to look to [beaten-up](#) defensives like **Fortis** that have sold off due to the broader rotation into riskier assets to maximize returns in a 2021 recovery.

While a name like Fortis won't make you rich in a return to post-pandemic normality, it can help you stay rich and keep your cool when the next market crash hits, whether it be next month or next year. Nobody will see it coming, so be like Warren Buffett keep your powder dry and resist the urge to "chase."

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. TSX:FTS (Fortis 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**

2025/08/24

## **Date Created**

2020/12/08

## **Author**

joefrenette

default watermark

default watermark