Warren Buffett’s Partner: This Bubble Will End in a Huge Market Crash

Description

The initial onset of COVID-19 led to a panic-fueled sell-off frenzy that resulted in a sharp market crash in February and March 2020. Stock markets have miraculously recovered to almost pre-pandemic valuations in the latest rally. Investors anticipated Warren Buffett to buy companies left, right, and centre during the sell-off, but he chose to be patient in the bearish market.

Buffett has made some significant moves since the markets have slightly normalized. However, there are indications that he expects a significant market crash. The latest market rally has made investors quite complacent. Warren Buffett and his partner, Charlie Munger, expect things to take a turn for the worse.

Warren Buffett is unsure about what comes next

Warren Buffett has used his observations from the past to guide his investing decisions, contributing to his success over the years. However, not even Warren Buffett is sure about the long-term effects of this crisis on the economy. The Oracle of Omaha seems to be hedging his bets on all fronts.

We can expect him to do well if we are in for inflation, deflation, or disinflation. The next bear market could also provide him the opportunity to use **Berkshire Hathaway’s** cash hoard to make monumental acquisitions. However, there is no indication of exactly what he expects to happen.

Charlie Munger anticipates a market crash

Buffett’s long-time friend and Berkshire’s vice chairman, Charlie Munger, considers the latest market rally to be one of the most dramatic things that have ever happened in the history of finance. He believes that there are indeed bubbles, but nobody knows when the bubbles are going to blow up.

Munger does not expect investors to achieve the kind of returns they experienced in the last decade. He believes that we are all in very uncharted waters right now. Nobody has gone by with making so much money for so long without getting in trouble. In a remote interview with the California Institute of

Technology, he said, “We’re very near the edge of playing with fire.”

Investments to keep the money flowing

By all accounts, the next bear market could turn out to be devastating for investors. At least, that is what Buffett and Munger could be speculating. The only thing is, when Buffett and Munger make speculations, investors are often inclined to take their words seriously. If you believe that there might be a period of long-term uncertainty ahead, you should consider making investments to keep your capital safe and the money flowing.

Fortis (TSX:FTS)(NYSE:FTS) could be a mainstay in a portfolio of stocks that you can buy and hold in your Tax-Free Savings Account (TFSA). Fortis is a classic defensive stock that investors rely on during rough market conditions. Utilities are typically considered boring and lag broader markets. However, Fortis is far from boring.

The stock has consistently provided its shareholders with increasing dividends for the last 47 years. The Canadian Dividend Aristocrat is an integral part of long-term portfolios due to its reliability. Fortis can continue generating substantial cash flows due to the essential nature of its service. The company provides natural gas and electricity to its customers in the U.S., Canada, and the Caribbean.

No matter how bad the economy gets, Fortis can continue earning revenues through its highly regulated contracts. Fortis can use the predictable cash flows to fund its continued growth and increasing dividend payouts to its shareholders.

Foolish takeaway

There could be a far more devastating market crash brewing right now. If you fear that Charlie Munger’s bearish sentiments could come true, you should consider reprioritizing your capital. Consider investing in a defensive stock like Fortis that can provide you with growing dividends regardless of the economic conditions.

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