Warren Buffett: Stash Your Cash and Wait for a Market Crash

Description

Business tycoon and widely admired investor Warren Buffett is no stranger to market disruptions. The COVID-19 pandemic is something he hasn't seen in his career, yet he still thrives in the worst crisis ever. One strategy that works for him is to stash cash then wait for a market crash.

Call him a vulture if you will, but he finds opportunities in a financial crisis. A straightforward mantra dictates Buffett's appetite for investing during market downturns. He said, "Be fearful when others are greedy, and be greedy when others are fearful." However, it doesn't mean you pick cheap stocks at random.

Buffett advises against investing in highly leveraged entities or companies in weak competitive positions. A market downturn provides an opportunity to use your cash and buy strong companies at low prices.

Stick to simple fundamentals

Berkshire Hathaway, Buffett's conglomerate, has tons of cash in its war chest and is ready to roll with the punches. He will not act on emotional instincts. The GOAT of investing will also stick to simple fundamentals and disregard mob fears or enthusiasm.

Buffett's confidence in the U.S. economy is unwavering. He explains that during a market crash, you can buy a slice of America's future at a marked-down price. There are many sound companies, so fears regarding the long-term prosperity of the country make no sense.

The earnings of the businesses will inevitably suffer in the short term. However, in the long term, Buffett believes these major companies will set new profit records five, 10, and 20 years from now.

Warren Buffett dropped out momentarily from the scene in the first quarter of 2020 when COVID-19 was at its fiercest. In the ensuing quarters, Berkshire was ready to splash its cash again. Buffett's company bought $18 billion worth of stocks, including a surprising position in tech startup **Snowflake's** IPO.

Shocking sale

Many investors were stunned when Berkshire ditched its entire stock holdings in **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The shutdowns of quick-service restaurants such as Burger King, Tim Hortons, and Popeyes did not sit well with Buffett.

Buffett also feared the restaurant industry would take time to recover from the COVID-19's impact. He had the same pessimistic outlook for airline companies. The Oracle of Omaha made an uncharacteristic move by taking a new position in **Barrick Gold**. The gold stock is now Berkshire's second TSX stock after Suncor Energy.

Meanwhile, Canada's fast-food holding company remains one of the top restaurant stock picks heading into 2021. Pershing Square Capital chief and hedge fund icon Bill Ackman sold all his Berkshire stock and bought more QSR shares instead.

Because of the significant enhancements to its digital footprint and delivery capabilities, Ackman believes QSR's restaurants will be stronger than ever post-pandemic. Year to date, the restaurant stock is down by 2%. From its COVID low of $ 39.56 on March 18, 2020, the stock trades at $77.85 — an incredible 97% rebound. Aside from the sterling rally, investors are content with a decent 3.43% dividend.

Number one investing rule

Warren Buffett draws lessons from previous experiences and adapts to changes in the investing world. However, his number one investing rule hasn't changed. He advises, "Don't be impatient when it comes to your money. *Never invest in a business you cannot understand.*"

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

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