



Warren Buffett: Prepare for a 2021 Market Crash

Description

Will the stock market crash in 2021? Going by the fundamentals and history, it will. But there is also the unstable element of investor psychology that drives the stock market. This unstable element is what makes the market unpredictable at times. Warren Buffett deals with this element by placing his trades thinking that there will be a market crash but not knowing when.

Warren Buffett and the stock market

Warren Buffett is one of the most celebrated value investors who earned his wealth by investing in the stock market. He has a history of profiting from a market crash. He is no fortune teller who looks into the future and gets all his investments right.

Even Buffett makes mistakes, bears the heat, learns from them, and moves on. He can't time the market crash, even after staying in the stock market for +70 years. This is because a market crash occurs when there is panic, and panic is created when something unexpected of great magnitude happens.

While it is difficult to time the market crash, you can be prepared for one. Every market crash is different, and in each crash, there are some temporary and some permanent damages. While you can invest in gold to hedge against the risk of a downturn, you need to understand the cause of the market crash to find the robin stocks that can make you rich.

For instance, oil stocks took a long-term hit in the 2014 oil crisis, but airline stocks surged as their fuel expense reduced. Tech stocks took a long-term hit in the 2000 dot.com bubble. Those who invested in these stocks at their peak couldn't see the stock recover for a long time. But those who invested in these stocks after the crash benefitted from the recovery. Hence, it is important to know what could lead to another market crash.

What factors could lead to a 2021 market crash?

Last year, the stock market saw the fastest recovery from a crash. This recovery was led by tech stocks, as the pandemic boosted the adoption of the technology. The stock market rally was driven by the emergency cash benefits the government gave Canadians.

The year 2021 will see the end of free cash Canadians got from the government. Moreover, the Canada Revenue Agency (CRA) will claw back some of the benefits money in April when you file your income tax returns. The CRA will also phase out the wage and rent subsidy it gave to businesses.

If the job market doesn't recover significantly, a large number of investors will withdraw their money from the stock market. The tech stocks that rallied the most will see the biggest fall. Hence, I would suggest not buying tech stocks like **Lightspeed POS** now.

Another reason that could lead to a market crash is if companies and individuals default on the loan they took during the pandemic to improve liquidity. If this happens, bank stocks will fall significantly.

Lastly, prolonged travel restrictions could do some permanent damage to airline stocks. Hence, avoid this sector until there is clarity on the future of air travel and commercial airlines. Buffett [sold most bank stocks](#) and all airline stocks last year.

How to make money in the 2021 market crash

You don't want to be invested in airlines, banks, or tech stocks before an anticipated stock market crash in 2021. Instead, look for value stocks that have not recovered from the pandemic, have the potential to withstand the crisis, and can grow when the economy recovers.

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) meets all three requirements. It builds pipeline infrastructure and signs long-term contracts to transmit oil and natural gas. Some infrastructure, oil, and real estate companies cut dividends during the pandemic, but Enbridge [increased its dividend](#) per share by 3%. This dividend increase shows its resiliency to the economic crisis. The company has also secured its 2021 capital requirements.

Enbridge stock has already surged 14.5% from its March low and can surge another 27% from the pre-pandemic level. You can also lock in a 7.86% dividend yield for a lifetime.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

Date

2025/08/23

Date Created

2021/01/12

Author

pujatayal

default watermark

default watermark