



Warren Buffett: A Market Crash Is Coming!

Description

The financial media is perpetuating an imminent potential market crash. These ideas are supported by comments made by a number of influential individuals. Among these, Warren Buffett's overly bearish view on the state of the overvalued markets today concerns many pundits.

I think preparing one's portfolio for a market crash is a prudent move right now. Whether or not a market crash materializes in the short term, being prepared for such a scenario is beneficial. I'm going to take a look at some of the steps the Oracle of Omaha has recently made to highlight some ways Canadian investors can add portfolio defensiveness right now.

Be contrarian

Fellow Fool contributor Joey Frenette recently touched on a [Canadian pick](#) of Mr. Buffett's of late as a contrarian way to play the current market hysteria. He wrote, "Warren Buffett's firm also bought shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) in 2020. This is a contrarian play at a time when oil producers remain out of favour and refineries face reduced fuel demand. Suncor produces oil, but it also owns four large refineries and operates about 1,500 Petro-Canada service stations."

I think these comments are right on the money. Buffett's mantra of being greedy when others are fearful is at work with this Suncor addition. I think oil might outperform in the years to come. Indeed, a bull market in commodities in general could be forming right now. If U.S. stimulus continues at its torrid pace, U.S. dollar depreciation should drive commodity prices higher. Accordingly, deep value picks like Suncor offer high levels of leverage to such a scenario. Buffett is one of the smartest investors of all time. Following him into the oil trade could prove to be very lucrative, especially if markets become more contrarian moving forward.

Hedging isn't a bad idea

Buffett's recent purchase of Canadian gold miner **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)) was no mistake. The Oracle of Omaha added this position in 2020 as well, with an eye on capitalizing on the

rising price of gold. Undoubtedly, adding some defensiveness and hedging some portfolio risk was part of the equation. Barrick is a world-class gold miner with some of the largest gold reserves in the world. This is a company that is best suited for the long-term investor bullish on the price of gold. It appears Warren Buffett may be warming up to gold as an investable asset, but time will tell. After all, he did trim his stake significantly near the end of the year.

That said, I think Barrick offers some of the best risk-adjusted returns for gold bulls right now. This is a stock every investor looking for a hedge right now ought to consider.

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TICKERS GLOBAL

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3. TSX:ABX (Barrick Mining)
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