



Warren Buffett Is Ready for a Market Crash: Here's Why I'd Follow Him

Description

Warren Buffett always has ample cash on the sidelines, so he can take advantage of the biggest bargains that accompany [stock market crashes](#). Like a Boxing Day or Black Friday blowout, you're going to need cash in hand to scoop up the "door-crasher" [specials](#) that Mr. Market serves every so often.

Unlike Boxing Day or Black Friday, though, Mr. Market doesn't tell investors when exactly he'll be offering the best marked-down deals. As such, it's only prudent to take a page out of Warren Buffett's playbook by having a bit of dry powder on the sidelines, so you'll be ready when the time comes. By having at least some cash, you're acknowledging that a market crash could happen at *any* time (even when the bulls pound the table), and you're not one to time it.

Looking to buy the next market crash? Patience is key

Indeed, a market meltdown can be a terrible thing to waste. And for today's young investors, being left emptyhanded following a vicious market crash or correction (Mr. Market's version of a Black Friday sale) is multitudes worse than being left without those heavily marked-down electronics on Black Friday or Boxing Day.

Today, Warren Buffett has more than enough cash for the next big sale that will inevitably come around. While he doesn't know if the big drop will be in this quarter, this year, or over the next three years, he's more than content waiting until the perfect opportunity to pounce.

At the age of 90, the man we know as the Sage of Omaha is as patient as he's always been. And I think it'd be wise for young investors to exhibit the same degree of patience at this critical market crossroads, even though some may feel a bit of FOMO (fear of missing out) after the market's remarkable rally off those March lows.

Don't count on Warren Buffett to follow in the footsteps of the bulls

Warren Buffett is little-influenced by the endless chatter on Wall Street, nor is he pressured by critics that remark on **Berkshire Hathaway's** growing cash problem amid rock-bottom interest rates.

If Mr. Market throws Buffett a pitch that will give him a good chance at knocking one out of the ballpark, he will swing, but until Mr. Market can throw such a pitch his way, he's not going to feel obliged to make a move for the sake of appeasing to those who've grown frustrated with Berkshire's recent underperformance versus the market indices.

After having missed out on the 2020 market crash (one of the best buying opportunities in recent memory), don't count on Warren Buffett to try to compensate in the new year, with bigger, more aggressive bets that go against the defensive ones he made last year. He'll proceed with caution, possibly adding to the bets he made last year, especially the bets that are now more attractively priced (think **Barrick Gold** stock, which plunged 29% since September).

The Foolish takeaway for Warren Buffett fans

Although many sell-side analysts see gains for 2021 with the pandemic's end in sight, I'd argue that if a terrible year like 2020 could lead to positive returns, a (hopefully) better year like 2021 could also lead to negative returns. As such, I'd stand with Buffett and his cautiously optimistic approach, with defensive bets like Barrick Gold, cash, and overlooked, undervalued areas of the market.

Stay Foolish, my friends.

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