Why Warren Buffett Is Ignoring a Potential Market Correction

Description

Warren Buffett's investment strategy comes down to value investing. If you're a value investor, there are a few things to look for. You want a company that's going to be around decades from now, with a strong future outlook. It has to have a strong balance sheet, and revenue to keep it that way. And, of course, it should be a bargain.

Notice that in all that, I didn't once mention there need to be a market crash.

Why not?

I'm not saying that Warren Buffett won't use the market crash to his advantage, or that he'll simply smile while the market burns around him. He owns an enormous investment firm, clearly he has to prepare for any market crash. However, when it comes to the reasoning behind the investment strategy, value investing is the major take away.

You want to find companies that will see you through decades of changes, which is why Warren Buffett's firm hasn't done all that much trading compared to previous years. The market right now is inflated, so Buffett has argued that practically everything looks overvalued, which makes it difficult to find value for the next few years.

So should another market crash happen, it looks like Warren Buffett is likely to stay on the sidelines. That's again due to his firm and the need to see a fairly quick turnaround in profit. But if you're a value investor looking for an opportunity to last you decades, then there are still areas where you can see strong returns.

Still some opportunities

What investors shouldn't look for right now is a market crash. Instead, investors can look for value stocks that will do well and even soar in the years to come. That means taking the pandemic into consideration, looking at industries that Warren Buffett would go through with a fine-tooth comb.

Such an industry would be airlines. Yes, Warren Buffett has said that airlines are going to be sunk for quite some time. However, a rebound will eventually happen. If you're planning to hold for decades, you could make a killing off of companies that can afford to do the heavy lifting and invest in ways of keeping passengers safe, and thus in the air.

That means looking at larger airline companies, and it's why I'm focusing in on **Air Canada** (TSX:AC). The company was beaten down and has a long flight path ahead to see all planes in the air — but it did the heavy lifting *before* the crash! The company invested in a fleet of fuel-efficient airplanes, bought back Aeroplan and acquired **Air Transat**. While it means the company has a huge debt to pay, it can use these efficient methods to pay it off, whereas its peers will be struggling to make ends meet — not to mention it's likely to receive a bailout.

The company is at a P/B ratio of 3.7 times at the moment and a RSI of 44, so it's fairly valued given the circumstances. But this makes it a value stock if there ever was one. The company will see revenue soar when the pandemic is over, and continue to see it climb with these efficient methods of investment.

Bottom line

Whether or not you're preparing for a market crash, value investing is the way to go. It's easier said than done, but there are plenty of opportunities to be found. In this case of Air Canada, despite crashes if you had invested a decade ago there has been a share increase of 521% as of writing. That would make a $10,000 investment worth $64,220 today!

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