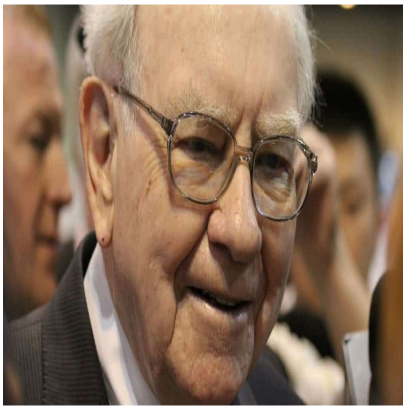

Warren Buffett: His Advice on Market Crashes

Description

Panic causes the stock market to nosedive. It happened in March 2020 when the World Health Organization (WHO) declared the coronavirus a global pandemic. Business shutdowns and lockdown measures followed soon after. The economic factor, a force as powerful as panic, played out. However, the markets rallied throughout the year instead of plunging lower.

In the U.S. stock markets, all three major indexes grew in 2020. The Nasdaq Composite Index gained 43.7%, while the S&P 500 and Dow Jones posted 15.6% and 6.6% gains, respectively. Meanwhile, the Toronto Stock Exchange (TSX) ended the year at 17,433.40 — or a 2.7% total return.

As we approach the first anniversary of the COVID-induced correction, talks of a market crash are still rumbling. But if you were to ask what Warren Buffett will do, he has interesting insights on market crashes.

Mentally prepare

People describe Buffett as the GOAT of investing, because he can turn a market crash into millions. He strongly believes there aren't many options to build wealth these days other than through stocks. Market turbulence is inevitable, so investors must mentally prepare and not panic.

Shun the noise

Some of Buffett's savvy investment moves happened during market downturns. **Berkshire Hathaway** bought **Goldman Sachs** shares during the 2008 financial crisis. The global investment bank needed to raise capital. Buffett said one of the worst investors' mistakes is paying too much attention to commentators, political drama, or market rumours.

Had he listened to market predictions, he would have lost his focus and miss out on an excellent buying opportunity. Berkshire earned US$3.7 billion from the Goldman Sachs investment in 2011, where 34% or US$1.27 billion were dividends. Buffett said in 2009, "Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance."

Don't speculate

Buffett warns, "Speculation is most dangerous when it looks easiest." Some will get lucky at first, but only a few will do well over the long run. The best strategy to mitigate stock market risks is to invest wisely. His advice is to never invest in a business you can't understand. Buy shares because you want to own the company.

Promising TSX healthcare stock

Berkshire Hathaway has been actively buying and selling stocks lately. Buffett is accumulating healthcare stocks. The Oracle of Omaha sees a bright outlook for the sector. On the TSX, the healthcare sector is off to a rousing start in 2021, with its 41.2% year-to-date gain.

Trillium Therapeutics (TSX:TRIL)(NASDAQ:TRIL) is a promising investment prospect, although it isn't a vaccine developer. The current share price of $11.35 is 336% higher than it was a year ago. Had you invested $10,000 then, your money would be worth $36,612.90 today.

The $1.15 billion clinical-stage immuno-oncology company develops therapies for cancer treatment. Trillium has an unproven novel platform, but market analysts are bullish about this healthcare stock because the oncology space is exciting.

Biotech companies make hay when their drug candidates are commercial successes. Trillium Therapeutics has two growth catalysts, TTI-621 and TTI-622. The lead programs that will enhance a patient's ability to detect and destroy cancer cells are in phase-one trials already.

Make long-term investments

Warren Buffett prefers long-term investments over short-term investments. He once said, "Our favourite holding period is forever. If you invest in the right companies, you're minimizing risks to generate wealth over the long term."

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/07/29
Date Created
2021/03/04
Author
cliew