How to Prepare for the Next Market Correction Like Warren Buffett

Description

When in the midst of a dire stock market correction, I always find it useful to be encouraged by investment legends of the past and present. Considering Warren Buffett is one of the greatest investors of all-time, I look to him for wisdom on how to react when the stock market corrects or crashes.

Warren Buffett: Stay rational in the chaos

The first lesson we can learn is to stay rational when chaos is happening. Warren Buffett once said, "Remember that the stock market is manic depressive." Fear and greed are the two strongest pulls on the stock market. Neither are healthy, yet it is often one or the other. Rarely are these factors equally balanced.

The key is to not get caught up in emotional selling but to evaluate why you own a business (not just a stock to trade) and why it holds prospects beyond the change in market price.

Think contrary to the market

The second lesson we can learn from Warren Buffett is to think contrary to the market. Mr. Buffett famously said, "Be fearful when others are greedy, and greedy when others are fearful."

I don't think any quote can better explain the current state of the stock market. 2021 saw high-flying technology stocks explode to record valuations. That thesis is starting to unwind. Now, high-growth stocks are collapsing, and it may be the perfect time to buy the fear of short-term investors.

Think long term like Warren Buffett

That leads to one of Warren Buffett's most important lessons. He has often emphasized the need for long-term thinking when investing. He once said, "Only buy something that you'd be perfectly happy to

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hold if the market shutdown for 10 years." By this he means forget the market. Look at what the business is doing. If it is growing, producing profits/free cash flow, and providing services that the world needs, then the day-to-day price does not matter.

If you want to build wealth like Warren Buffett, you need a long-time horizon, patience, and an iron stomach. Equity investing isn't easy, especially when it is volatile. However, that is what differentiates a successful investor from a short-term speculator. So, are you looking to be greedy, while others are fearful?

Nuvei is beaten down and attractive

One **TSX** stock I have my eye on today is **Nuvei** (TSX:NVEI)(NASDAQ:NVEI). This high-growth TSX stock is not exactly a Warren Buffett-type value stock. It trades with a price-to-sales ratio of 21 times. So, it is not cheap. However, since October, this stock has declined more than 30%.

Despite a sustained pull-down on growth stocks, Nuvei's price looks to have somewhat flatlined in the past few weeks. I think this makes it attractive. Over the past year, Nuvei has been growing revenues by over 90%. It has rapidly scaled its adaptive payment platform across the world.

What I really like is that it has not grown at the expense of profits. In fact, as it has scaled, it has increasingly become profitable. Currently, Nuvei produces EBITDA margins over 40%! In a world where merchants require globally diverse payment solutions, Nuvei still has a large market opportunity to grow. Consequently, growth and profitability should rise hand in hand for years.

This is not a typical Warren Buffett stock. However, Warren Buffett has made some of his largest profits from non-typical *value* stocks (like **Apple**). If you can look past volatility and think long term, this growth stock could make you a fortune.

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2. TSX:NVEI (Nuvei Corporation)

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robbybrown

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