



Market Crash 2.0: Follow Warren Buffett's Advice and Buy These 2 Stocks

Description

Investors have already experienced one market crash this year. The COVID-19 pandemic caused the Canadian stock market to tank almost 35% in just over one month earlier this year.

Since bottoming out at the end of March, the Canadian market has come roaring back. The **S&P/TSX Composite Index** has gained almost 40% since the beginning of April and is now up about 3% on the year. Considering that many parts of the country are seeing record highs in daily COVID-19 cases, investors should be content with a 3% gain on the year.

Two 30% market drops in less than a year, statistically, isn't very probable. But considering we're coming off a 40% bull run and COVID-19 cases are still continuing to spike, it's not unimaginable to think another crash is coming. Whether that's a 30% drop or not, [investors should be prepared](#) for what we could be headed for.

Warren Buffett's guide to taking advantage of a market crash

As an investor, there is no way to avoid market crashes. You might get lucky timing a crash here and there, but it's not a sustainable strategy.

It is well known that Warren Buffett views market crashes as excellent buying opportunities for long-term investors. It's a rare chance for investors to pick up shares of market-leading companies at a rare discount.

With a potential market crash looming, I've dug up two of my favourite Warren Buffett quotes to help prepare myself.

Warren Buffett quote #1

Buffett says, "Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble."

If you're going to take advantage of a market crash, you're going to need cash on the sidelines ready to put to action.

Some investors argue that it's better to have 100% of your savings to be invested in the stock market at all times. There's definitely some merit to that argument, but that strategy would not let you take advantage of a sudden market crash.

I tend to keep between 5% and 10% of my portfolio in cash at all times. This allows me to be much more opportunistic during sudden market drops.

One company that I'm ready to add more shares of to my current position is **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). I added this stock to my portfolio at the end of last July and my only regret is not buying more shares.

The Montreal-headquartered company is up almost 100% since the beginning of the year. Even more impressive, the tech stock has [surged more than 400%](#) since the last week of March.

The incredible bull run now has Lightspeed trading at an extremely high valuation. The tech stock trades at a price-to-sales ratio of almost 60 today.

While I do believe Lightspeed still has plenty of growth left in the tank, I'll be waiting for a dip in price to add more shares to my position.

Warren Buffett quote #2

"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." That is one of Buffett's most famous quotes.

It's easier said than done to buy low and sell high. Most investors would agree that they'd love an opportunity to put a load of cash to work during a market crash to take advantage of rock-bottom prices, but it takes a certain level of confidence to do so.

One trick to being able to actually take advantage of a market crash is to have a plan of action ready to go before the market begins tanking. Having an updated watch list of companies that you'd be willing to buy if they dropped 30% or more in price helps build up that confidence when many other investors are panicking.

goeasy ([TSX:GSY](#)) is a company that's at the top of my watch list right now. I don't have a position in the stock just yet, but I'll certainly be looking to do so during the next market crash.

The company provides loans and financial services to customers all across Canada.

The pandemic hit the financial services company hard, dropping the share price by almost 70% in barely over a month. Since the last week of March, though, the stock is up 250%.

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