



How Would Warren Buffett Invest Today?

Description

This year has been a relatively [volatile year](#) for stock prices across the globe. Stock markets have experienced intra-day falls which are among the highest recorded since the financial crisis. And while there has been a general recovery in the last couple of months, many stocks are still down overall on their prices from the start of 2018.

Given the uncertain trading conditions of late and the changes which are taking place across the global economy in terms of inflation and interest rate expectations, it may be useful for investors to consider how Warren Buffett might invest in such circumstances. After all, he is the world's most successful investor and has been able to overcome challenging periods in the past few decades.

A consistent approach

While global stock markets have experienced a period of inconsistent performance, an investor such as Buffett is likely to focus on being consistent. In other words, he is unlikely to have changed his approach significantly, with volatility not being a catalyst in itself for adopting a different approach to investing.

Therefore, it is probably safe to assume that he is continuing to seek out companies which could offer wide margins of safety. Since there were falls in stock prices across a variety of industries, sectors and regions of the globe, this task may have been made a little easier than it has been in the last few years. As such, buying stocks, rather than selling them, is likely to be the priority at the present time for the 'Sage of Omaha'.

Adapting to future prospects

Of course, the recent volatility in world stock markets has been caused by a variety of factors. Fears surrounding a potential US-China trade war, higher inflation and the prospect of rising interest rates are among the causes of a more risk-averse stance by investors. Such changes to the world economy's outlook could cause a change in stance by experienced investors such as Buffett.

For example, they may wish to focus on stocks which offer sustainability in a higher inflation and rising interest rate environment. This could mean that companies that are able to pass higher input costs onto consumers may become more valuable. This could be because they have a high degree of customer loyalty, for example, or a more efficient business model which can keep costs down versus rivals.

Similarly, interest rate rises may mean that stocks with stronger balance sheets can attract premium valuations. They may offer a lower-risk outlook and may be able to better cope with a return to more 'normal' interest rates.

Outlook

Clearly, volatility is likely to return to global stock markets over the medium term. When it does, it may be prudent to factor in the potential risks and challenges facing the world economy, as well as the changes it is undergoing. However, as Buffett's career has shown, 'buying when others are fearful' remains a worthwhile strategy for long-term investors.

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