



Warren Buffett Is Probably Licking His Chops Right Now: Here's Why You Should Be, Too!

Description

While a majority of retail investors have been abusing the sell button this October, with the S&P 500 falling into correction territory for the second time this year, Warren Buffett is probably patrolling the wreckage for opportunities, so he can finally put his massive cash hoard to work.

This summer, when the market was getting ready to rip to all-time highs, I'd urged investors to treat Buffett's colossal cash reserves as a sign that stocks were expensive and encouraged investors to [raise cash](#) if they hadn't done so already, so they could buy stocks once they inevitably pulled back to more modest valuations.

At the time of my [Buffett-inspired warning to investors](#), I'd noted that ownership of defensive stocks or the effective adoption of an "all-weather" strategy wasn't enough if investors didn't have enough cash sitting on the sidelines.

When markets correct, cash is king, and while holding **Fortis** ([TSX:FTS](#))(NYS:FTS) is a great way to keep your head above water in a downturn, its bountiful dividends aren't going to swell up your cash reserves overnight such that you'll be able to take advantage of the timely "fire sale" prices after Mr. Market had the opportunity to puke out his excessive optimism.

Today, after suffering another 10% peak-to-trough pullback, there are now a handful of stocks that are priced at discounts to their intrinsic value, something that was few and far between back when investors grew over-exuberant over the possibility of a "market melt-up" due to the "strong" economy and Trump's stimulative fiscal policy.

Back in January, you would have had to be stupid to be a holder of cash!

It seems like many years ago that you heard the phrase “market melt-up”, but it was just a few months ago when the S&P 500 hit an inflection point with smart, billionaire hedgies like Ray Dalio saying things like, “if you’re holding cash, you’re going to feel pretty stupid” — an overly bullish statement which I was quick to shoot down prior to the February correction that saw a lot of new investors get hurt.

Now, Dalio is a smart man, and I realized I looked like a complete fool at the time by being as skeptical as I was. But as a Fool, I had no problem with looking Foolish because I knew that by following one of Warren Buffett’s most “forgettable” rules by being fearful while others were being greedy, I’d be able to follow in the footsteps of one of the greatest investors and teachers of our generation without needing to know what he’s actually doing until after the fact.

As it turned out, Buffett had been “stupidly” raising cash all year, only taking bites out of **Apple** on occasion as his firm’s cash pile continued to swell.

The tables have turned

Now that the tables have turned and greed has turned to fear, it’s time to put your cash pile to work and buy stocks. If you were bullish when stocks were roaring past all-time highs, you should be even more bullish now that stocks, in aggregate, are slapped with a 10% discount.

I’m not going to try to call a bottom yet, as stocks could enter a bear market by year-end, but if you consider Buffett’s contrarian mindset, I’m willing to bet he’s probably starting to get greedy with some of the opportunities that have opened over the past month. To Buffett and his disciples, it’s more about what quality pieces of merchandise are cheap today, not about how much cheaper it can possibly get in a worst-case scenario.

And if you’re a Buffett disciple, you should at least do a bit of buying today while the sale on stocks lasts. The economy is still strong, and although we could be propelled into a recession courtesy of President Trump and the Fed, the fact remains that economy isn’t nearly as in bad of shape as we were in 2007, even though it may seem like it in the heat of the moment!

Foolish takeaway

My motto is to stay hungry but also to stay Foolish.

Be hungry for market-beating returns, but also be contrarian and strive to look Foolish in doing so. That means being a seller when everybody’s buying, with folks like Ray Dalio joining in on the action, and buying in a time of panic.

Stay hungry. Stay Foolish.

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