



This Simple 'Trick' Could Be The Secret To Warren Buffett's Success

Description

Deciding whether to buy or sell stocks is often a difficult decision. There are always reasons to be bullish, with the track record of stock markets showing that over time they generally make higher highs. However, there are also always risks facing stocks, industries and economies. As such, siding with a bullish or bearish standpoint is a continual struggle for investors.

Warren Buffett, though, does not appear to face such a quandary. He seems to simply buy stocks and not worry too much about whether it is the right time to be bullish or bearish. His focus on value, rather than trying to predict stock price movements, could be the key to being able to ignore market noise and generate impressive returns in the long run.

Predictions

Trying to decide whether the stock market will rise or fall is a complex and difficult task. At the present time, for example, it is unclear how the world economy will perform in future. Talks between the US and China may lead to an end to the protectionist policies that have become a feature of Donald Trump's Presidency. Similarly, the two sides may disagree on a variety of issues, and this may create further uncertainty for the world economy and global stock markets.

It's the same situation for a variety of other risks facing investors. China's slowdown could quicken in pace, while Brexit could hold back the European economy in the medium term. Likewise, both of those risks may prove to be less significant than is currently being factored in by investors. Rising stock prices may therefore be ahead.

The difficulty in deciding whether stock markets will rise or fall can lead to investors following the decisions of their peers. This focus on market noise could mean that they fail to make clear decisions – instead changing their mind frequently depending on stock price movements.

Value investing

In contrast, Warren Buffett simply focuses on a company's value, with his decision-making being dependent upon whether it is possible to buy high-quality stocks at fair prices. If the opportunity to do so arises, he will decisively buy such stocks and hold them over the long term. In doing so, there is a risk that a stock market downturn will occur, and that paper losses will be incurred. But as long as he remains happy with the price paid versus the intrinsic value of the company, market fluctuations are of little concern to him.

Similarly, if there are a lack of opportunities to [buy stocks](#) for less than their intrinsic value, Buffett will simply hold cash and wait for them to arise. This may take many years, but history shows that they eventually do appear.

As such, by focusing on value, Buffett is able to ignore market noise and avoid worrying about how a variety of risks facing investors will turn out. Doing likewise may help to improve an investor's long-term returns, as well as free-up time spent worrying about the near-term direction of stock markets in order to unearth a greater number of undervalued stocks.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2019/01/13

Author

peterstephens

default watermark

default watermark