



Warren Buffett's \$128 Billion Cash Problem: You Should Be Concerned

Description

Warren Buffet is rightfully considered one of the greatest investors in history. He is currently the fifth-richest person in the world, and he reached this position largely thanks to his investment tactics.

It's therefore little wonder that when the Wizard of Omaha makes a move, people tend to look and draw their conclusions from it.

But the lack of making a move is a noteworthy scenario in itself. If you know about the US\$128 billion pile of cash, you might be curious about its purpose.

At first, many market experts attributed it to an upcoming recession and Warren Buffet's tendency to buy good businesses when they are undervalued. It might be a valid assessment, especially given what happened with **Tech Data**.

Buffet's **Berkshire Hathaway** made an offer to buy the hot new company, Tech Data, outright for US\$5 million, a mere fraction of the cash pile.

But when another private equity firm, Apollo Global Management, increased their initial offer of US\$5.14 billion to outbid Buffet, he didn't make a counteroffer.

This move caused many discussions. Many speculators attribute it to Buffet's usual tendency to avoid a bidding war. Some have also attributed it to the fact that Buffet believes the current market to be overly priced in general.

He said in his latest annual letter, "Prices are sky-high for businesses possessing decent long-term prospects."

So what conclusion should you investors draw from Warren Buffet's stagnant stockpile? Rather than buying new businesses outright, Buffet is moving more of his company's capital toward buying shares into companies like Apple. It shows that he's still putting his money in the businesses he believes in.

One of Buffet's Canadian investments is **Suncor** ([TSX:SU](#))([NYSE:SU](#)). Let's see what made the

Wizard of Omaha [bounce back](#) to this energy company after he sold his stake in it in 2016.

Suncor

Suncor is the second-largest energy company in the country, with a market cap of \$63.5 billion. The company has a diversified energy portfolio, ranging from oil sands to bio-fuel and wind power.

Suncor holds one of the most significant positions in the oil sands in the country. Oil sands require much more initial investment than conventional sources for raw materials like Bitumen, but they are also relatively long term.

Warren Buffet is famous for investing in good, long-term businesses. His stake in Suncor alone says a lot about the potential of the company.

At the time of writing this, Suncor is trading at \$41.33 per share. It's an 8.4% increase in the market value this year. The company is [also generous with](#) its dividends, consecutively increasing payouts for nine years. The current yield is a juicy 4%.

Foolish takeaway

Buffet's refusal to buy any new businesses now might be an indication that the market in general is overvalued. But it doesn't mean that you should refrain from investing in businesses that you understand (your circle of competence) or companies that have proven themselves in the test of times.

Paying attention to Buffet's purchasing trend is one thing, but hoarding cash instead of making suitable, reliable investments is quite another.

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