Warren Buffett Invests Like This as Stocks Tank!

Description

Market crashes are feared by many, but not Warren Buffett or his followers, who see substantial declines in stocks as an opportunity to get more for less.

The coronavirus crisis is terrifying, as it has both severe humanitarian and financial consequences. But regardless of the cause or what the Street thinks the endgame will be, investors should start putting money to work as soon as the bargains come to be, rather than waiting for the perfect time to jump in.

Timing the bottom? Don't try it. Not even Warren Buffett can do it!

Timing the bottom is timing the market. Everyone tries to do it, but almost nobody will be able to.

Not even Warren Buffett, the Oracle of Omaha, is able to time the bottom with any degree of precision. Moreover, timing market bottoms is *not* the magic formula that's made Buffett substantial wealth over his investment career either.

The key to Buffett's success is swinging at the good pitches that Mr. Market does throw his way by buying stocks on the way down while being sure not to exhaust his cash reserves.

By doing so, Warren Buffett is more likely to average a level close to the bottom with his incremental buying activity. And, more importantly, he'll be mitigating the risk of missing out on steeper discounts in the event of further downside *and* the risk of missing out on bargains that exist in the present should the stock market recover sharply.

Nobody, not even Warren Buffett, knows where the markets are headed next. As such, it's essential to consider a course of action, such as dollar-cost averaging on the way down, that would minimize regret should the markets either continue falling or suddenly ricochet off a bottom.

Why you should still swing at the less-than-perfect pitches

thrown by Mr. Market

Sure, there are no called strikes in the world of investing, but if Mr. Market throws a decent pitch your way, like in today's market, you should still swing, or you might just get called for a ball!

You don't have to swing for the fences (exhaust your cash reserves), but you should still swing because you could still have a chance to knock one out of the ballpark. In retrospect, Warren Buffett's latest publicly disclosed helping to **Delta Air Lines** shares proved to be too early.

He racked up double-digit losses very quickly, but the man couldn't help himself, because the deal was too good to pass up in his mind. The stock fell below his intrinsic value estimate, and he swung on the pitch, despite the negative momentum that would scare off most average investors.

While it seems like he got a called strike for his latest swing, in several years from now, when shares are above and beyond his latest purchase price, we'll likely all be looking back at the ridiculously cheap bargain he scooped up when shares are multitudes higher.

Foolish takeaway on investing like Warren Buffett in a market crash

If you see a bargain that you would have scooped up in a second under a normal market environment, you should buy it today if you think you'll feel regretful if the bargain were to disappear tomorrow.

The risk of missing out on today's bargains is arguably higher for young long-term investors than the risk of steepening paper losses that mean less in the grander scheme of things.

I'm sure Warren Buffett would agree.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

3. Stocks for Beginners

Date
2025/08/18
Date Created
2020/03/31
Author
joefrenette