



Why Hasn't Warren Buffett Made a BIG Move Yet?

Description

Warren Buffett has been waiting for a major stock correction for years. In recent years, the Oracle of Omaha has been hoarding cash. It was an indication that he saw a massive stock market correction ahead. Now that the crash is here, why hasn't he moved?

What is Buffett up to?

Like any other major investor, Warren Buffett's investments must be declared to the public via regular filings. The Securities and Exchange Commission (SEC) requires public disclosures from major investment companies. These indicate that Buffett has made some minor moves in recent weeks as the market collapsed.

He sold most of his stake in America's major airlines. Buffett had been steadily building up positions in all major air carriers in the country. The increased efficiency of aircrafts as well as the steady price of oil may have attracted his attention.

However, the global pandemic has challenged the industry like never before. It appears that the prospects were too bleak for Buffett to hold.

The Oracle has also been raising debt. He issued a European bond to raise €3 billion (\$4.6 billion) at 0%. He also raised 195.5 billion yen (\$2.56 billion) through a debt offering in Japan. Effectively, he's taking free money in currencies he expects to depreciate against the U.S. dollar.

While these are sophisticated moves you'd expect from the most celebrated investor in the world, it's not newsworthy. After all, the investment giant Buffett owns had \$128 billion in cash going into this crisis. Now that war chest must be bigger with all the stakes he's sold and debt he's issued.

Buffett hasn't done a multi-billion dollar deal to take a major company private. He isn't buying huge stakes in any public companies either. Regular, non-billionaire investors like us should probably wonder why.

Why he's cautious

One possible reason for Buffett's anxiety could be the quick rebound in stocks this month. The Canadian **TSX Index** has recovered 24% since hitting bottom on March 23. Buffett's favourite Canadian stocks **Restaurant Brands** and **Suncor Energy** have also recovered some of their losses.

However, the stock market may have moved back into "overvalued" territory. At the time of writing, the value of the Canadian stock market is 100% of gross domestic product (GDP). This measure is called the "[Buffett Indicator](#)." However, GDP is certainly going to fall this year, so stocks are arguably overvalued.

The U.S. stock market seems even more overvalued by this metric, which could be why Buffett hasn't made a major acquisition or noteworthy move yet. I believe this is a red flag for average investors like us. If Buffett can't see value, perhaps we should be holding some cash too.

Foolish takeaway

Stocks have quickly rebounded from their lows. Now, the market is trading at fair value based on last year's earnings. However, with a severe recession ahead, earnings are likely to decline, which means stocks are overvalued.

Warren Buffett is still hoarding cash and hasn't made a major acquisition yet, which could be the clearest indication that investors like us need to be more patient for better opportunities ahead.

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