Charlie Munger Stays Cautious Amid Coronavirus Crisis: Why You Should, Too!

Description

Warren Buffett has been alarmingly quiet this past month. Still, his right-hand man Charlie Munger recently broke his silence, sharing his thoughts with the *Wall Street Journal* on the coronavirus pandemic and how **Berkshire Hathaway** is looking to navigate through a crisis that he referred to as "the worst typhoon that's ever happened."

Many investors were perplexed as to why Warren Buffett was selling this past April after the stock market collapsed in conjunction with oil prices amid the coronavirus pandemic. Given the share sales reduced Berkshire's exposure below the 10% mark, it's believed that Buffett just wanted to steer clear of regulatory hurdles, but could it be possible that Berkshire was a net seller of stocks on the coronavirus pandemic?

We won't know for sure until Buffett explains himself in May. Given Munger's dire comments, however, investors would be best served by exhibiting cautious optimism and maintaining sufficient liquidity rather than throwing every ounce of excess cash at the market in one instance in time, especially after the unprecedented bounce off March's market lows.

"We just want to get through the typhoon, and we'd rather come out of it with a whole lot of liquidity. We're not playing 'oh good, goody, everything's going to hell, let's plunge 100% of the reserves' [into buying securities]," said Munger.

Charlie Munger doesn't sound like he wants to be a hero — neither should you!

Warren Buffett and Charlie Munger are all about buying shares of wonderful businesses at discounts to their intrinsic value.

Given the unprecedented magnitude of economic disruption caused by the coronavirus, though, it's tough to value many of the businesses that depend on the world making an abrupt return to normality. As such, it's vital to be humble enough to realize that you don't know what's going to happen next and patient enough to view things through a long-term lens in case it turns out that we're moving through the calm eye of a hurricane.

While caution and patience should be on your mind, that doesn't mean you shouldn't bag the bargains as they come along. There are ample opportunities out there for stock pickers who pick their spots carefully.

Based on Munger's latest comments, though, investors would be best served following in the man's footsteps by maintaining cautious optimism, rather than attempting to throw every dime at a stock market that could realistically test its March lows. We're about to navigate through a second quarter that's going to be full of hideous numbers and half-baked guidance. So, one must be ready for anything and resist the urge to go all-in (or borrowing to invest).

Charlie Munger values liquidity in times of uncertainty

Don't view the coronavirus-induced market crash as an opportunity to make a quick buck off the panic of others.

Treat it as a chance to nibble away at businesses that you *know* to be undervalued given the unprecedented degree of uncertainty while maintaining enough cash to make it through a bear-case scenario. Look to **Fortis** and other lowly correlated dividend-paying bond proxies, rather than looking to go all-in on the most battered of cyclical names that are on ground zero of the coronavirus pandemic.

Foolish takeaway

Both Warren Buffett and Charlie Munger tend to be greedy when others are fearful, but it is possible to be *too* greedy when fear may not yet be at its peak.

Consumer spending is about to take an unprecedented plunge, so heed Charlie Munger's words of wisdom and make sure you've got enough to buy incrementally on the way down without ever digging into your emergency fund.

Stay hungry. Stay Foolish.

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