



What Warren Buffett's Actions Can Tell Us About Markets

Description

During the last couple of months, investors have been trying to channel their inner Warren Buffett, buying stocks as valuations have become absurdly cheap.

Trying to emulate Buffett is a common practice in investing. Another common element is watching his every move to see what intuition we can gain from his investments.

In the last few years, however, Warren Buffett hasn't really made any big investments. Although he may have disclosed some small equity purchases every quarter, for the most part, he was letting the cash pile up.

This led most investors to think that the market must be overvalued. Buffett has done this before, so it wasn't out of the question to think that after a decade-long bull run, he was waiting for a pullback in stocks.

However, as markets began to crash in late February and early March, no big acquisitions were made by Buffett or his company **Berkshire Hathaway**.

What Warren Buffett's lack of action says

So far, Buffett hasn't made a big splash, but many investors are wondering if he has still been buying up stocks quietly. However, in the first quarter, Buffett's company was actually selling some stocks.

It's unlikely that Buffett's lack of action is a mistake. Buffett tends to have an extremely clear long-term view of the market, so if he hasn't made a move yet, it's likely for a reason.

However, it's also evident that [Buffett](#) is being extremely conservative in these circumstances, given this is an unprecedented event.

Warren Buffett is the last person to try and time the market, so if he thought stocks were sufficiently cheap enough, you know he would have pulled the trigger and been buying.

This suggests that the Oracle of Omaha could see further trouble ahead.

Why Warren Buffett may think there's trouble ahead

What has gone on over the last two months is extremely peculiar for financial markets. First, we had a rapid bear market caused by the worst pandemic in more than a century.

But even more peculiar than how fast markets sold off is how fast they have rallied back, especially without any real news of the economy reopening.

Furthermore, even with clarity on when the economy will reopen, there is still great uncertainty as to how bad things will be when it does.

All of these factors suggest that a rally this fast is a bit premature, and it's likely that Warren Buffett is probably thinking the same thing.

Where to go from here

Just because the market may crash further doesn't mean you shouldn't still be buying stocks today. As any investor who follows Warren Buffett would know, if you see a great long-term investment that's undervalued, you buy the stock, regardless of the economic backdrop.

Any time an attractive long-term business is trading at a discount to fair value, the stock is a buy. One example of a top long-term stock that's undervalued today is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

[Nutrien](#) is a massive **TSX** blue-chip stock worth over \$25 billion. The company is one of the world's largest agricultural businesses, providing growers with fertilizers, and other ancillary services.

Nutrien is a great long-term business, because it has such a strong industry position and therefore plays a major role in getting food on our plates and doing it sustainably.

Its impressive integration is another key factor with Nutrien, and one that will play a major role in its long-term success.

By having such a strong retail segment, Nutrien can improve its profitability. This will help it to grow organically, as it scales its business.

At current prices, Nutrien is trading roughly 33% off its 52-week high. Plus, it's offering a dividend yield of more than 5.2%. This is incredible value for such a top long-term TSX stock.

Bottom line

Just because Warren Buffett hasn't made a major acquisition doesn't mean you shouldn't be buying

stocks if you find attractive long-term investments.

At the same time, though, I would take Buffett's lack of action as a warning and proceed with a bit more caution than usual.

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