Warren Buffett Advice: 3 Investing Tips to Follow in a Volatile Market

Description

Warren Buffett is one of the greatest investors (if not *the* greatest) of all time. The Oracle of Omaha has created massive wealth by investing in the equity market and successfully beating broader indexes. At a time when the markets are volatile, it makes sense to follow Buffett's timeless investment advice.

Warren Buffett invests in businesses that he knows

One of Warren Buffet's famous quotes is, "Never invest in a business you cannot understand." With the markets trading well below their record highs, several stocks are trading at cheaper valuations. There are thousands of companies listed on the exchanges, and you need to identify the ones that will make you money.

One way to shortlist stocks is by focusing on a company's business model that is easy for you to grasp. You need to understand how the company makes money and the key trends and drivers that will impact its stock performance over the years.

Focus on long-term investing

According to Warren Buffett, investors need to take a long time horizon when buying a stock. He once famously said, "If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes." Top-quality stocks have the potential to create significant wealth over time.

For example, if you had invested $10,000 each in **Apple**, **Amazon**, and **Netflix** 10 years back, the investment will cumulatively be worth close to $540,000.

Warren Buffett on index funds

Warren Buffett has been bullish on low-cost index funds. Most people do not have the expertise to analyze individual stocks. If you instead invest in index funds, you will diversify your risk and outperform a significant percentage of investors who fail to beat broader markets.

If you buy an index fund, it basically means betting on the country's economy. And in the long term, an economy with robust policies will be able to bounce back and deliver stellar returns.

Warren Buffett stated, "In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497."

This means the current pullback can be viewed as a buying opportunity. Canada's largest and most liquid ETF is **iShares S&P/TSX Index ETF** (TSX:XIU). This ETF has exposure to the country's 60 largest companies, significantly diversifying your risk.

The top five holdings of the XIU are **Royal Bank of Canada**, **Toronto Dominion Bank**, **Shopify**, **Enbridge** and **Canadian National Railway**. They account for 7.3%, 6.2%, 5.6%, 5.1%, and 4.9%, respectively, of the ETF.

During economic uncertainties, investors need to bet on companies that have strong fundamentals, huge cash reserves, a solid balance sheet and steady cash flows. These companies (with the exception of Shopify) have survived multiple business cycles and stood the test of time.

The XIU has huge exposure to Canada's two largest sectors: banking and energy. While banking stocks account for 31.5% of the ETF, energy companies comprise 14.5%. In addition to providing diversification, the XIU also has a forward yield of 3.2%, making it attractive to income investors at a time when bond yields are nearing record lows.

The Foolish takeaway

Warren Buffett says it's impossible to time the markets, and investors should buy high-quality companies at every major market correction. Investors need to follow his advice and bet on equity markets to create considerable long-term wealth.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2020/04/27
Author
araghunath