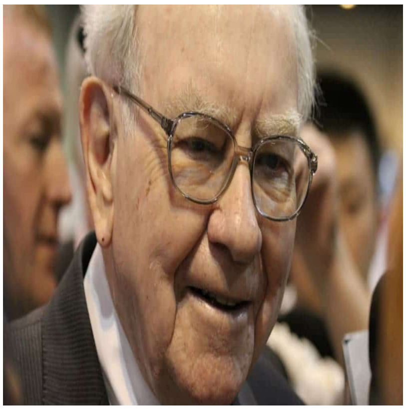

If Warren Buffett Isn’t Buying Stocks, Should You Hold On to Cash?

Description

Between March and April 2020, we saw one of the most troubling declines in the stock market since the crisis of 2008-2009. The **S&P/TSX Composite Index** declined by almost 40% from its February 2020 peak during March. It has since recovered by just over 35%.

Through this all, Warren Buffett has remained uncharacteristically silent in terms of stock market purchases. It is curious to see the Oracle of Omaha remain mostly quiet about his investments during times like this. Even during the market bottom of March, he seemed content in letting his cash grow instead of buying stocks.

Is this a sign that he expects another market pullback? What should other investors who do not have the same kind of money do? Should we buy new stocks? Should we hold on to cash?

Even Warren Buffett’s silence can speak volumes. I will discuss a couple of factors that I feel should impact your decision on whether or not to buy stocks right now.

Your time horizon

For investors in their 20s to their 40s, it can make sense to put your money to work for you in the stock market. Canadian stocks have not enjoyed such a meek run for several years and are trading at reasonable valuations, even after the recent rally. You can have a longer time horizon than older investors who would prefer to see the fruits of their investments sooner rather than later.

You can look for high-quality stocks with substantial potential for growth in the long run. Investing in a growth stock right now can help you leverage its long-term returns if you have a longer time horizon. To this end, you can consider investing in a stock like **Shopify** (TSX:SHOP)(NYSE:SHOP).

Shopify is one of the few stocks that have emerged entirely unscathed due to the pandemic. Shopify has been performing exceptionally well during the market crash. As of writing, the stock is trading for a whopping $1,030.23 per share. In the recent rally, the stock has gained over 124% from its mid-March 2020 low.

Adjusting to the changing landscape

Compared to its value five years ago, Shopify is up more than 2,900% of its value. The pandemic has been a boon for the tech stock. A change in the economic landscape and a rise in e-commerce is creating increasing opportunities for the company to grow. Major e-commerce stocks like **Amazon** also posted gains, but Shopify has dwarfed the sector.

With people forced to stay at home and remote work becoming increasingly common, Shopify's services have skyrocketed. Many new businesses shifted their operations to e-commerce, contributing to Shopify's growth.

Between March 13 and April 24, Shopify saw a spike of 62% in new online stores using its platform. Shopify further bolstered its chances of getting more merchants onboard by extending its free trial periods and offering gift cards to all new merchants. While Shopify might not be able to retain the same growth rate in the coming years, it can sustain substantial long-term growth.

Warren Buffett famously never bought Shopify stocks, because he never invests in businesses he does not understand. However, the landscape is changing right now, and tech stocks like Shopify will play a more significant role in stock markets moving forward.

Foolish takeaway

There is a chance that there might be a broad market pullback and that the current rally is temporary. Like Warren Buffett, you can consider waiting for another downturn in the market before you invest in the stock market on weakness. Unlike the Oracle of Omaha, however, I would recommend investing in a stock like Shopify. It can make you a wealthy investor through its phenomenal long-term returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

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1. Business Insider
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