



Warren Buffett: Why Isn't He Making Moves?

Description

When it comes to navigating volatile market situations to his benefit, Warren Buffett is the undisputed king. For years, the Oracle of Omaha had been waiting for a major stock market correction and collecting a massive hoard of cash. His stockpiling of so much liquidity was an indicator that he expects a market downturn.

Now that the crash is here, why has he made no significant moves?

What is he up to?

Like any significant investor, Buffett has to declare his investments to the public through regular filings. The Securities and Exchange Commission (SEC) requires investors like him to report public disclosures. These declarations indicate that Buffett made minor changes during the latest collapse, but we have not seen any significant purchases.

[Warren Buffett sold most of his stake in the airlines](#) operating in America. He had steadily built up positions in all the substantial airlines in the country due to the increasing efficiency of aircraft over the years. However, the pandemic entirely stumped the industry, and the prospects were too bleak for Buffett to suffer.

His admission of making a mistake by investing in airlines and selling his positions in the stocks was a big move, but not the kind of move investors were expecting. The investment giant owned by Buffett had \$128 billion in cash going into the crisis. Yet we have not seen any multi-billion-dollar deals in any public companies or to take a major company private.

Why is he cautious?

One of the reasons why Buffett is being careful about making any moves is the rebound that stock markets are seeing right now. It is a hopeful sign for many, but it might be an indicator that things will become a lot worse.

At writing, the **S&P/TSX Composite Index** has recovered more than 38% from the market low in March 2020 low. His Canadian stocks for both **Suncor Energy** and **Restaurant Brands International** have also recovered from the market lows.

Suncor is up 72.26%, and Restaurant Brands is up 92% from the lowest that the companies have been in 2020. However, there is a chance that the market may be in an overvalued territory with the recent rally. Despite the current rally in the stock markets, the economic situation does not seem to be getting better with the country's continual lockdown.

The U.S. stock market may also be in overvalued territory, considering the resurgence of the broader stock markets, despite no visible end to the pandemic or the lockdown. There is a chance that the current market rally is nothing more than a temporary sign of hopefulness from investors.

Another market meltdown

There are signs that there might be [another market meltdown](#) on the way soon. The previous collapse was not just devastating because of falling share prices. It also affected industries and businesses across the world. As of now, millions of people have lost their jobs, and more people might lose their jobs if no viable vaccine goes into mass production soon.

Moving forward, more businesses might suffer due to a prolonged lockdown. Warren Buffett may be anticipating another market crash. In case there is a new drastic decline, stocks could suffer even more significant losses than they did in March. Warren Buffett's lack of any significant moves could be considered a red flag.

Foolish takeaway

I think that the stock markets have rebounded too quickly from their lows in March. Currently, the stock market is trading at a fair value based on earnings in 2020. However, there may be a substantial recession on the way. Earnings are most likely to decline in the coming months, which could make the stocks overvalued right now.

Warren Buffett is still hoarding a substantial amount of money right now and is not making significant acquisitions. Perhaps it could be a time for investors like us to consider patience as a virtue for better opportunities. If the markets indeed take another downturn, it could open up even more opportunities to capitalize on high-quality stocks for a bargain.

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Author

adamothonman

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