



COVID-19 Crisis: Was Warren Buffett Right to Sit on His Hands?

Description

Warren Buffett surprised a lot of his followers back in early May when he announced in **Berkshire Hathaway's** 2020 annual shareholder's meeting that he had largely sat on his hands when it came to buying amid the [COVID-19 crisis](#). He ditched his airline stocks and did an unremarkable amount of buying.

His sombre tone was largely dismissed by many in the following weeks, as the stock market continued surging higher in what looked to be a V-shaped recovery. Many skeptics and big-league money managers questioned Warren Buffett's abilities, going as far as calling his advanced age as the primary reason for his lack of buying activity as the markets collapsed back in February and March.

Bill Ackman, who made a killing amid the COVID-19 crisis, threw in the towel on his shares of Berkshire, likely because of the fact that Buffett missed out on what appeared to be the quickest wealth-creating opportunity in recent memory.

Has Warren Buffett really lost his edge amid the COVID-19 crisis?

Buffett's cash hoard continues to swell, and while it may be easy to conclude that the man has lost his edge, having missed out on two months' worth of massive gains, one must remember that Warren Buffett bashers are nothing new. This isn't the first time that Buffett and Berkshire have fallen into a slump, underperforming the broader markets by a considerable amount. Every time Warren Buffett underperforms, he always makes up for it and then some over the long term. And this time, I believe, will be no different.

The [coronavirus](#) is an impossible beast to predict, and various U.S. states, including Texas, have seen a resurgence in COVID-19 cases amid reopening. If more cases spark a flip-flopping shutdowns and reopenings, the economy could be decimated further, and investors may not find comfort in knowing that the U.S. Fed (and central banks around the world) has their back.

Is Warren Buffett's over-prudence warranted as the COVID-19 pandemic drags?

We're moving into uncharted territory, and there's no sense in trying to predict the endgame of this pandemic. Economic reopenings and a return to normalcy are indeed exciting, but if such an opening isn't successful, don't be surprised if we have more vicious down days like this Thursday.

Given the unprecedented uncertainties, Warren Buffett is only prudent to pick his spots very carefully, opting to only swing at the pitches that he deems worthy of swinging. Even after the big relief rally, it's too early to tell whether Buffett is right or wrong, or whether his market-beating edge has eroded with age.

This market is ridiculously volatile, and Buffett (as well as many other investors) are either going to look like a genius or a fool based on their near-term actions. For now, Warren Buffett looks foolish, but all it takes are a few huge down days before he looks like a genius again.

Swing at pitches you deem swingable

Amid this COVID-19 crisis, Mr. Market is going to be throwing fastballs your way. Even though they're not swing-worthy by Warren Buffett's standards (maybe the pitch falls outside his circle of competence), that doesn't mean they're not swingable for you, especially if a pitch falls within your own personal circle of competence.

With the lines between investment and speculation blurred, it'd be prudent to look to stocks that you can easily value. Consider shares of **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), a bond proxy and defensive dividend stock that won't be disrupted nearly as much by COVID-19 as many of its non-regulated peers.

The stock got hit 4% on Thursday in the broader sell-off. Shares sport a 3.8% yield and could be a name that could help buoy one's portfolio should the next phase of the coronavirus typhoon get much worse.

Shares of Fortis are modestly discounted and are worthy of buying if you're looking to be like Warren Buffett, opting to proceed with caution amid this pandemic. What you see is what you'll get with Fortis. A solid, well-covered dividend and 5-6% in annual dividend growth every year. For the most part, you'll get no surprises, which is the most a risk-averse investor could ask for in this kind of environment.

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1. Coronavirus
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