



What Does Warren Buffett Know That We Don't?

Description

Towards the tail end of the fantastic 2010s for the stock market, there was a prediction that a major market correction was inevitable. Up until 2019 ended, we never saw the recession come. By March 2020, we saw the decline hit markets.

The circumstances were a complete surprise. Investors who want to follow the footsteps of the great Warren Buffett and purchase stocks for a bargain in a volatile market finally got the opportunity they were looking for. However, the Oracle of Omaha has surprisingly remained quite cautious.

A surprising move from Buffett

The stock market went on a downward trajectory amid the onset of the novel coronavirus. Buffett tends to shock the world by making bold moves in volatile markets that turn out to be fantastic value buys in the long run. Warren Buffett surprised investors for an entirely different reason during the current market situation.

The only significant move Buffett made during this time is ditching all his holdings in airlines. As far as purchasing stocks with the billions of dollars that **Berkshire Hathaway** has accumulated over several months before the crisis, he's done nothing but sit on his hands.

The pandemic is genuinely uncharted waters for investors. There is no historical reference for investors to consider while making investment decisions. The only person whom they would look towards during such a time is remaining cautious. What does the Oracle of Omaha know that we don't?

Why Buffett might remain cautious

While some people claim that [Buffett might be too old](#) to make risky moves amid the pandemic, I think his caution is an indicator investors should heed. There is no doubt that Buffett missed out on an excellent wealth-making opportunity by missing the dip in March. However, Buffett is known for his long-term strategies — not leveraging short-term volatility.

The fact that he retains Berkshire's liquidity means that Mr. Market might be anticipating the onset of another decline. Countries opening up around the world could have made investors hopeful and led to the current rally. However, people have not fully recovered from the fear of this pandemic, and it has not yet gone away.

Medical experts are not too sure about a viable vaccine making its way into mass production soon, and there are talks of a second wave. If that happens, we could see another introduction of lockdowns, further loss of jobs, and even more substantial declines.

Buffett is known to make educated investments. With so much uncertainty and the possibility of another decline, he might want to hedge his bets on long-term recovery, because the short-term recovery is riddled with uncertainty.

Recent move

Buffett may remain cautious when it comes to spending the billions of dollars he currently sits on. I think it might be worth taking a look at one of his most recent purchases from the Canadian market. Buffett is famous for primarily investing in American companies. Yet he chose to invest in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

Before COVID-19 became a pandemic, oil stocks were struggling for a while. Thanks to the oil price wars between Russia and Saudi Arabia, the commodity prices became highly volatile. The global health crisis made things worse, and we saw some of the worst prices for crude oil in recent history.

Investors began dumping oil stocks left, right, and centre. Companies struggled with oil prices collapsing, and the major producers like Suncor took a significant hit. The integrated oil company also slashed its dividends by half. Buffett owns 1% of the company, and it seemed like a mistake, like his foray into airlines.

Foolish takeaway

I think that there are two possibilities for Buffett to be so quiet with market moves during this time. Either he does not want to make an uneducated guess by purchasing during such uncertainty or feels there is a worse decline yet to come. It could be worthwhile looking at his current investments.

Despite the dire circumstances, the energy sector can be a [wealth builder for investors](#) over time. The truth is that its products are still in demand and will remain popular for a long time. Suncor could be an exceptional addition to your portfolio.

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