



## Warren Buffett Screams: Don't Buy the Stock Market!

### Description

Warren Buffett has had a strange 2020.

Just look at his position on airlines. For decades he refused to invest in the industry. Airlines have been “a disaster for capital” he once said. But by 2019, he was a leading shareholder of *four* different airlines.

What changed?

“They’re like the Chicago Cubs. And they got that bad century out of the way. The hope is they will keep orders in reasonable relationship to potential demand,” he explained.

Then the coronavirus hit. Every airline stock was [crushed](#). “This is hundreds of times worse than 9/11, SARS, or the global financial crisis — quite frankly combined,” stressed **Air Canada** ([TSX:AC](#)) CEO Calin Rovinescu.

How did Buffett react?

“I won’t be selling airline stocks,” he revealed in March. “It’s going to be terrible,” he added, but it “won’t stop the progress of the country or the world.”

Apparently, things change. Within months of making those statements, Buffett exited his airlines bets *entirely*. That’s a strange move for a revered long-term thinker.

Despite his public optimism, the Oracle of Omaha has looked quite bearish in recent months. His airline divestment was only the start.

### He’s getting nervous

Buffett is never one for timing the market, but he does have one indicator that he uses to gauge market frothiness. He calls it “The best single measure of where valuations stand at any given moment.”

“The gauge takes the combined market capitalizations of publicly traded stocks worldwide and divides

it by global gross domestic product,” explains Markets Insider. “A reading of more than 100% suggests that the global stock market is overvalued relative to the world economy.”

This indicator has recently soared towards an all-time high, for both the U.S. and the world. As we’ll see, this may be driving Buffett’s cautiousness to invest.

## Buffett’s top stock pick

Buffett’s holding company, **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B), has billions in the bank. Many expected him to deploy this cash when the coronavirus correction began. Surprisingly, he remained largely on the sidelines, even though he repeated his calls for long-term bullishness.

This week, we learned what he truly thinks of the stock market.

“Warren Buffett seems to have repurchased more than \$7 billion of Berkshire Hathaway stock in the last three months,” [reports](#) Markets Insider. “Buffett’s buybacks highlight his willingness to tap Berkshire’s \$147 billion in cash reserves and suggest he views Berkshire stock as undervalued.”

This should be a warning signal to all investors. Berkshire has a historically high cash balance, yet Buffett is refusing to deploy this cash anywhere except his own company, which trades towards the low end of its valuation range.

The greatest investor of our time is essentially throwing his hands up. There’s little to do other than buy back stock and sit on a giant pile of cash.

The coronavirus pandemic initially caused a market plummet, but valuations are now surging higher and higher. It’s clear that Buffett is having a tough time finding bargains. He hasn’t said it explicitly, but he’s not a fan of the stock market right now.

### CATEGORY

1. Coronavirus
2. Investing

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