Warren Buffett Is Utterly Terrified of This Stock Market — But Why?

Description

Warren Buffett is terrified of the current stock market.

That's the takeaway from The Oracle of Omaha's biggest moves in Q1 and Q2, which saw him sell off huge chunks of his positions.

At his May shareholder's meeting, Buffett revealed that he had been a net seller of stocks–in particular airlines, which he sold out of completely. In Q2, Buffett began buying stocks again, but was still exiting positions. In that quarter, he trimmed his position in **JP Morgan Chase** and sold all of his shares in **Goldman Sachs.**

He also sold his entire stake in the energy company **Occidental Petroleum.** What positions he *did* initiate–such as **Barrick Gold**–didn't look like bets on a roaring economy.

Put simply, based on his recent plays, Buffett looks very reticent to invest in today's stock market. In fact, he seems to want to get out of it. Apart from a handful of positions, he is broadly trimming his exposure to stocks. Which is odd because Buffett isn't the type to do that. A long-term "buy and hold" investor, Buffett rarely sells on bad news. This year, he is absolutely doing that. The question is, *why?*

The traditional economy is still in bad shape

By now, most readers will be familiar with the fact that U.S. markets have walked off their COVID-19 losses. The **NASDAQ** set its first post-COVID high months ago, the **S&P 500** more recently.

What's not often mentioned is that a huge proportion of these gains have been driven by tech stocks. In fact, if you take big tech out of the equation, then the gains don't really exist. According to *Investor's Business Daily*, the **SPDR Value ETF** was still down 10% as of August 12. That's a pretty good proxy for the non-tech portion of the S&P 500. It doesn't capture non-tech growth stocks, but it covers much of the non-tech large cap landscape.

Included in that category is most of the types of companies Buffett likes to invest in–banks, utilities, railroads, etc. For those companies, times are still tough. Airlines, for example, have seen revenue fall as much as 90%. So it's not surprising that Buffett is increasingly banking on **Apple** to deliver most of his portfolio's returns. Apart from big tech, the economy is still pretty sore.

Investments that might make sense right now

That said, there are many "Warren Buffett like" plays that could make sense now. Not all parts of the traditional economy are suffering equally. Some are actually doing fine. Utilities are but one example. Buffett has been investing heavily in utilities since the 90s, when he bought MidAmerican Energy for $1.7 billion. Since then, his utilities interests have only increased. Utilities are well known for stable, "recession-resistant" earnings, and so far in 2020, they've delivered.

One solid utility for Canadian investors is **Fortis Inc** (TSX:FTS)(NYSE:FTS). It's a regulated utility based in St. John's that supplies power in North America and the Caribbean. Its track record as a dividend stock is second to none, having raised its payout every single year for 46 years straight.

Like all utilities, Fortis has high fixed costs, and an extremely high debt levels. However, along with that comes very stable revenue–utilities are perhaps the most stable and regulated business in the world.

With Fortis, you can lock in a 3.5% yield at today's prices and watch the dividend grow by 6% a year. While it's certainly not a mega growth stock, it's a great stock for income and modest growth.

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