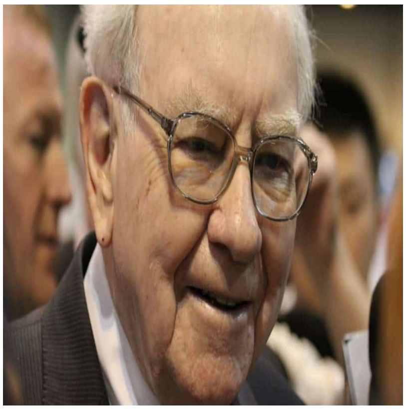

Warren Buffett: What Will His Next Move Be?

Description

Warren Buffett has acted differently in this market crash. First of all, he didn't start buying until the market had recovered substantially. He dumped the airlines at a loss, which might have seemed extreme to some speculators, but it's in line with Buffett's policy of not staying with failing businesses. He also bet on energy, while many other investors are giving the sector a wide berth.

And his most recent move has also caused a lot of debate. Buffett usually avoids IPOs, but he still bought about US$570 million worth of **Snowflake** shares. It's a cloud computing business that recently completed one of the most successful and largest tech IPOs in history, bringing in nearly US$4 billion.

Some people speculate that the investment decision was inspired by someone else in the company and not Buffett himself. But Buffett is still running the show. And even if it's a relatively small investment (if you consider the cash pile **Berkshire Hathaway** has been sitting on), it's making people wonder what Warren Buffett will do next.

Buffett's next move

Buffett's departure from convention isn't just beneficial for the company in the long run, but it will also make things easier for his successor. His next move is hard to predict, because if it were that easy to read his mind, many investors would have made a lot of money by getting a head start on him.

But one thing that Buffett might do is lay off oil and maybe even unload some of his oil stakes. He has already invested a significant amount of money in Japan, because it seems that the market there is more in line with the underlining economy (unlike U.S. stock markets, which are still overpriced as per the Buffett Indicator).

He might invest in another foreign market, but it might be hard to find one as stable as Japan — especially since many European countries were already facing an industrial recession, and emerging markets are currently too unstable. He might buy more into tech.

Your next move

You don't need to emulate Buffett's moves exactly (especially when we don't even know what he will do). You can base your decision on whether or not you think another market crash is coming. If it is, you should identify currently expensive stocks.

If you think that the market has recovered for good and will only see small dips in the near future and not a proper crash, you may consider buying something like **Exchange Income Fund** (TSX:EIF). It's still discounted but not as undervalued as other airline-related stocks. This stock helps you at both fronts (i.e., dividends and capital growth).

It's currently offering a very juicy yield of 7.1%, and though the payout ratio is very high (150%), the aristocrat didn't slash its dividends, even when the ratio was much higher than that in 2014 and 2015. As for capital growth, the company has grown over 126% since the crash in March. Even if it regains its pre-pandemic valuation, you will enjoy sizeable capital gains on your investment.

Foolish takeaway

The famed value investor might surprise us all by doing something completely unprecedented, or he may go back to the fundamentals. But instead of waiting for him to make a move, you can run your own analysis and make your own investment decisions. Emulating his move might not always be an option for Canadian investors, but learning from them always is.

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