



Warren Buffett: He's Not Running Scared Yet

Description

Warren Buffett is one of few investors who are willing to look foolish (that's a lower-case "f") over the near-term to [come out on top over the long haul](#). The man couldn't care less about what the [sexy play](#) is at any given instance in time and he won't let short-term price movements change his long-term view. Over prolonged periods, it's Buffett's independent (and oftentimes contrarian) thinking that's allowed him to put the broader markets to shame, even with the occasional black swan event thrown into the mix.

Warren Buffett plays it cautiously

Of late, Buffett has been treading cautiously, and he's been letting his followers know, whether through his sombre tone at **Berkshire Hathaway's** virtual annual shareholders' meeting this year or through his defensive bets on gold and grocers as well as his moves to remove risks brought forth by the COVID pandemic.

Now, Buffett has no idea when the pandemic will end or how the markets will respond in the meantime. He is prepared for whatever ends up happening next, though, with a portfolio that's now well diversified to COVID risks. While it may seem that the Oracle of Omaha is bearish on the economy's recovery prospects, I'd argue that he's playing it smart by bringing his portfolio into balance given the profound uncertainties brought forth by this pandemic and the potentially catastrophic longer-term consequences.

You see, Buffett isn't running scared, as many gloomy headlines may suggest.

He's getting ready for *whatever* Mr. Market throws at him next. And with enough dry powder on the sidelines, you can bet that he'll swing when Mr. Market finally throws a pitch that improves Buffett's odds of landing a grand slam home run. In the meantime, he'll be patient, hunkering down with COVID-resilient plays that offset COVID risks taken on by Berkshire's various businesses, some of which (insurance, retail, restaurant and industrial businesses) are feeling the full force of the pandemic.

Given that Berkshire wholly owns businesses like airfoil castings and forged components fabricator *Precision Cast Parts* which are indirectly in the crosshairs of this crisis, the only real way for Buffett to

take COVID risks off the table is to ditch shares of the airlines and banks in favour of more COVID-resilient plays like **Kroger** and **Barrick Gold**, the latter of which will provide Buffett with a nice hedge against the threat of rapidly-rising inflation.

Buffett's bringing COVID risks into balance

The COVID crash blindsided many investors, Warren Buffett included. Although Buffett broke his top rule "never lose money," it was a wise decision to bail on the airline stocks, given Berkshire's existing exposure to COVID risks and the wide range of potential outcomes, the worst of which could easily have brought airline stocks to a big fat zero.

Don't be so quick to buy into the headlines that boldly claim Warren Buffett has lost his edge. The Sage of Omaha has been rebuked in the past, only to come out looking like a genius at the end of the day.

Foolish takeaway

In the face of a worsening pandemic, investors would be wise to take a hint from Warren Buffett by keeping their COVID risks in check (preferably with a balanced barbell portfolio), with enough cash to take advantage of opportunities should they arise going into year's end.

Buffett may seem like he's running scared amid a worsening pandemic. But he's not. He's merely positioning himself such that he won't allow himself to be in a state of shock down the road if things take a turn for the worst. In the face of profound uncertainties, that's only prudent, even if the herd's betting on a V-shaped recovery.

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