Warren Buffett: Here's How You Invest During a Bull Market

Description

We've seen a lot in 2020. A pandemic, a market crash to rival the great recession, and, according to many estimates, we *are* going through a recession right now. These are the times when investors figure out who they truly are. Do they sway with the market or stay true to their investment philosophy (if they have one)?

Similarly, investors learn from bull and bear markets as well. A bull market is usually accompanied by a general optimism. But too much optimism can be just as toxic as too much pessimism. So, instead of letting our emotions guide us, we might want to take a page from Warren Buffett's book when entering a bull market.

Buffett said to be "fearful when others are greedy and greedy when others are fearful." It's another way of saying that it's not wise to do what everyone else is doing. If everyone else is buying in a bull market, you may want to hold or even sell some of your securities to reap a profit. And when the market is bearish, people are fearful and start a sell-off frenzy; you can buy low.

Be fearful

Too much market sentiment towards rapidly recovering stock can prop up the price of a stock way beyond what you would want to pay for it in a calm market. **Profound Medical** (TSX:PRN) can be taken as an example. This Mississauga-based company, with a market cap of $480 million, saw its stock price grow quite rapidly after the crash.

It doubled investors' money in fewer than four months. Its growth spell has skewed its five-year growth numbers as well. But if you look into the company's history, it was never a very consistently growing stock. So, if you have a stock like this in your portfolio, and you are sure that the market has reached its "bullish maturity" and is about to normalize, instead of becoming greedy and holding on to a risky stock, be fearful and get rid of it.

You will realize the profits and won't have to suffer seeing the stock normalize and cut down yourprofits.

Be greedy

CAE (TSX:CAE)(NYSE:CAE) was one of the stocks no one would touch for a long while, even after the market started to recover. That's because CAE is associated with the airline business — one of the riskiest industries to touch during the pandemic. And if you got greedy when others were fearful of this stock, you would have grown doubled your capital thanks to this stock's partial recovery.

But that's not all it has to offer. CAE was a dividend aristocrat for a long while before it suspended dividends during the pandemic. It also has a consistent growth history. Most importantly, CAE's business model doesn't rely as heavily on airline business as many people assume, and the company has diversified into other directions as well. It might be a good long-term stock to hold and worthy of your greed when others were shying away from it.

Foolish takeaway

Following the market and "following" the market are two different things. You should keep an eye on the movements of the market and identify opportunities. But blindly following the current market trends is a bad long-term solution. You should have your own investment strategy, which you should follow and adjust as you learn new things about the stock market.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:CAE (CAE Inc.)
3. TSX:PRN (Profound Medical Corp.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus

2. Dividend Stocks
3. Investing

Date
2025/08/15
Date Created
2020/12/02
Author
adamothman