



Warren Buffett: Get Your Cash Ready

Description

Warren Buffett is widely known as one of the greatest investors ever. In addition to being a genius in his craft, Buffett has been crucial in helping retail investors to learn about investing and make the right choices for themselves. So, when Warren Buffett offers advice or makes a specific move with his portfolio, it can pay off tremendously to listen to the Oracle of Omaha.

While Buffett does a lot of commentary and answers tonnes of questions to help educate retail investors better, he doesn't always tell us his thought process. Sometimes we have to observe what moves he is making and infer for ourselves what it could mean and why he's doing it.

One thing that used to catch the eye of investors was his massive cash pile. That's gotten less coverage lately; however, his cash pile is still historically high. Does this mean Buffett sees more trouble ahead?

Warren Buffett's massive cash pile

Warren Buffett still has nearly \$140 billion in cash or equivalents as of the most recent filings. In the most recent quarter, his company **Berkshire Hathaway** spent \$4.8 billion in stock purchases and nearly double that, a record \$9 billion, on its own stock repurchases.

The fact that Warren Buffett has allowed his cash to build into such a large amount for so long, and that, instead of buying other stocks, the majority of what little money he is spending is being used to buy back shares show Buffett likely thinks markets are way too overvalued.

It's understandable that the market rallied with positive [vaccine news](#), as we are on the way to the end of the pandemic. However, the market bounced back quickly already earlier this year and has only continued to rally.

Furthermore, the economy is still in extremely bad shape, and we need to be able to weather the storm until the pandemic is actually over. This suggests that markets may be over-optimistic, which is likely why Warren Buffett has so much cash on the sidelines.

A defensive TSX stock to buy today

Having cash on the sidelines is prudent, but you definitely don't want to leave too much cash on the sidelines. However, you'll want to make sure the cash you do invest is in high-quality and defensive stocks.

One of the top stocks you could consider buying is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). Fortis is a great long-term stock, but what's even more attractive is how resilient it can be in the uncertain short term.

Utility stocks are well known to be great investments during times of heightened risk. These companies have extremely stable operations, making cash flows robust, so the stocks are a lot less volatile than many other **TSX** stocks.

[Fortis](#) specifically has a tonne of high-quality assets spread out all across North America to help reduce risk. And with the stock in the middle of a major capital program, you can expect significant growth over the next few years.

Major growth is nothing new to Fortis investors. The stock has increased its dividend for 48 consecutive years. That's why it's a great long-term stock, especially if you need to lower the risk in your portfolio.

Bottom line

These days, with so many the stocks rallying, it can be easy to get caught up in the euphoria of markets. However, investors should pay attention to high-profile investors like Warren Buffett to get an idea of what and how these investors are thinking.

It's important to be ready for anything. That's why having an adequate cash pile should be a top priority.

CATEGORY

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