



Warren Buffett: How Investors Can Overcome Greed and Fear

Description

Warren Buffett has built his fortune on some simple principles. As he says, when it comes to investing, “you don’t need to be a rocket scientist.” So, what are some of Warren Buffett’s secrets to success?

Well, there are so many. In this article, I will focus on two very basic principles. They are the two emotional roadblocks that stand in the way of many investors. We are all human, and greed and fear are common human characteristics. As investors, we must learn to keep them in check.

It’s not as difficult as it sounds. Anyone can do it. Here’s how.

Warren Buffett: “Be fearful when others are greedy and greedy only when others are fearful”

This quote says it all. It captures the essence of successful investing. The stock market is a numbers game. But it’s also a very emotional game. Valuation depends not only on numbers but also on the psychology of investors.

So, in our quest to overcome the emotions of greed and fear, we must understand this. For example, a market that’s trading off greed is likely overvalued. It’s likely pricing in overly optimistic scenarios. If no news is bad news, that’s a problem. If the market rises regardless of the bad news, it’s a sign of disconnect. Rose-coloured glasses result in faulty decision making.

Likewise, if no news is good news, that’s also a problem. Investors sometimes view everything through a dark and pessimistic filter. This is also a sign of disconnect. But if we’re patient, we can snatch up some undervalued gems in this environment.

Investors: Watch out for greed like Warren Buffett does

Today, the market is looking through rose-coloured glasses. The pandemic has hit the economy hard. We'll feel the negative effects more when the government aid stops. But for now, things seem great.

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock comes to mind here. Lightspeed stock has been a clear winner; there's no doubt. [The company facilitates e-commerce](#). This has been a rapidly growing industry in 2020. And Lightspeed's business is firing on all cylinders. But as Lightspeed stock climbs ever higher, we should ask, how much is too much?

Lightspeed stock is very expensive. It factors in growth many years down the line. It's benefitting from those rose-coloured glasses I spoke about.

Stand up to fear: Warren Buffett buys Suncor stock

Energy stocks come to mind when I think about this scenario. Oil and gas stocks have been hit hard. They've been shunned by investors of all stripes. But in this fear, I know there are many good opportunities. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock was once an investor favourite. Today, the oil and gas industry is in a cyclical low. Yet Suncor remains the high-quality company it always was. Warren Buffett is a buyer of Suncor stock.

The main difference? Suncor stock is way cheaper today. I mean way, way cheaper. The market is very fearful with regard to energy stocks. But what if the industry isn't dying? What if it'll be around for many years yet? If we ignore the fear, we can make huge sums of money.

Suncor is an integrated oil company. This means that it produces and refines oil. These two businesses have different drivers and risk profiles. They diversify Suncor's risk. That makes Suncor more stable than most oil and gas companies.

Suncor [stock is already in the midst of a comeback](#). It's rallied 50% since the end of October. But the stock is still trading well below pre-pandemic levels.

Warren Buffett: "If you don't find a way to make money while you sleep, you will work until you die"

Don't misunderstand; work is respectable. Work is necessary and fulfilling. But having options is always best. For example, having the option to do the work you want to do is priceless. Also, having the option to work how much you want to is priceless.

The way to achieve this state is through investing. Choose the right companies and the rewards will keep coming.

Motley Fool: The bottom line

The bottom line here is simple. Let's take Warren Buffett's advice to heart. Don't get tangled up in the emotional game. Have a plan and stick with it.

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