Warren Buffett: How to Invest Amid Today's Market Frenzy

Description

Warren Buffett hasn't exactly been backing up the truck on stocks this year. **Berkshire Hathaway**'s mountain of cash needs to be put to work, but thus far, Buffett has not been greedy, even when fear was in the air back in the depths of March.

The coronavirus brought forth profound uncertainties, making certain stocks difficult to evaluate until there was more clarity with the COVID-19 vaccine timeline. Sure, Warren Buffett is known by many of his fans as the Oracle of Omaha, but he can't see the future. By being humble and acknowledging what he doesn't know, he's able to stay out of trouble, even if it means missing out on making a bit of profit over the short term.

Back when the markets fell off a cliff in February, the timely advent of a safe and effective vaccine was no guarantee. The airlines' survival was no guarantee, making such names more of a speculation with options-like upside than a sound investment with an attractive margin of safety.

When **Pfizer** pulled the curtain on its vaccine breakthrough in early November, the stock market roared in a big way, with COVID-19 recovery plays like **Air Canada** leading the upward charge. While Buffett may have missed out on colossal gains in one of the best months for the stock market in decades by ditching his once-beloved airline stocks, I'm sure he has no regrets, given the risk/reward trade-off that they had at the time he chose to throw in the towel.

Warren Buffett looks fine with playing defence — others go on the offensive

While Warren Buffett has been busy buying stocks again, one can't help but notice his cautiously-optimistic moves, with bets on gold miners like **Barrick Gold**, grocers, Steady Eddie Japanese trading companies and several biotechnology companies. There's no question that such bets suggest that he's ready to play defence over the long haul, as the world heals from one of the worst crises in recent memory.

Some of the more bullish pundits believe that the economy has been reset and that we're in the early innings of a new expansionary market cycle. If that were the case, it makes sense to overweight your portfolio in the cyclicals, consumer discretionaries, and commodity plays.

However, if the COVID-19 crisis is just a bump in the road in the late stages of the market cycle, one must not rule out the possibility of excessive volatility and potentially lower returns over the next decade. Charlie Munger seems to think the next decade will hold lower returns than the previous one.

Moreover, if the crisis ends up exacerbating the next structural economic downturn, with fewer tools in the U.S. Fed's arsenal, then Warren Buffett's cautiously optimistic, slightly defensive stance makes a tonne of sense.

Sure, Warren Buffett may stand to miss out on making quick gains over the near- to medium-term, but I'm sure he couldn't care less, as he's all about long-term investing and is uninfluenced by fast-and-furious market moves over the short-term. I think Foolish investors would be wise to take a page out of Uncle Warren's playbook.

The Foolish takeaway

In a recent interview conducted by the California Institute of Technology, Warren Buffett's right-hand man, Charlie Munger, delivered some strong words of wisdom that should stick with Foolish investors:

"It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid instead of trying to be very intelligent."

Munger is right on the money, as always. Neither he nor Buffett strives to look like geniuses over the near-term. They'll leave that to euphoric beginner investors who may or may not end up in tears once the "frenzy of activity in the investment field," as Munger put it, ends.

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