



Warren Buffett: Scary Things Are About to Happen

Description

Warren Buffett thinks something scary is about to happen. His recent transactions make that clear.

To be sure, he's both buying *and* selling, but the types of stocks he's ditching should make you nervous.

Buffett is nervous about the economy

The finance industry is directly linked to the health of the overall economy. Go review any past recession, and you'll notice one common denominator: bank stocks lost value.

This makes sense. Banks make money by borrowing at one rate and lending at another. If people aren't flush with cash, deposit values will decline. And if borrowers experience financial hardship, they can't make good on their loan promises. It's a double-whammy.

Many experts have described bank stocks as leveraged bets on the economy. With billions at stake in the financial sector, perhaps no one knows that more keenly than Buffett. Unfortunately, he doesn't look too bullish right now.

"Warren Buffett's **Berkshire Hathaway** built an \$8 billion stake in **JPMorgan**, then virtually eliminated it in six months," [reported Business Insider](#). "Berkshire's selling is surprising, given Buffett personally owned the stock in 2012, two Berkshire executives sit on JPMorgan's board, and he's a longtime admirer of CEO Jamie Dimon."

"If Jamie decides he wants to make more money, all he has to do is call me and I'd hire him at Berkshire," Buffett once told *The Wall Street Journal*.

Apparently, conditions appear so bad that Buffett reversed course on a major investment he defended just six months ago.

How to invest right now

Buffett isn't just souring on JPMorgan. He appears to be cutting his entire financial industry exposure.

"Berkshire cut its stake in several large banks ... including **Wells Fargo**, **JPMorgan Chase**, **PNC Financial** and **M&T Bank**," the *Financial Times* recently revealed.

The Wells Fargo selling is downright rare. This has been a multi-decade holding for Buffett. Knowing he doesn't trade the market, something must be very amiss to have him scared to hold this stock.

"He makes long-term bets, longer than nearly any other money manager," I'd [concluded](#) last month. "His outright disposition of economically-sensitive stocks should make everyone nervous."

Just consider a stock like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). It's a long-term winner, posting double-digit gains for decades, just like Wells Fargo. But no matter how well run this business is, it's still a bank, meaning it's dependent on the economy to grow.

If you're growing nervous like Buffett, ditch financial stocks today. They'll be the first ones on the chopping block during a downturn.

Bottom line

It's a scary time to be fully invested. But despite the pessimism, there are actually stocks that Buffett is *buying*.

That's right. Even if bank stocks look perilous, many businesses will do just fine. In fact, some businesses are poised to gain value during a bear market.

None of these companies rely on financial markets. They maintain power of their own futures, benefiting from secular growth trends that will persist regardless of what happens to the world in 2021. These are the companies you want to own right now.

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Author

rvanzo

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