



Warren Buffett: Beware the 2021 Market Crash

Description

It's no secret that Warren Buffett has been selling stocks in 2020. For most of the year, he's been exiting equities left and right. Banks, airlines and energy companies have been among the many stocks he has shed from his portfolio. In the third quarter, he became a net-buyer for the first time in the year. But as of the most recent **Berkshire Hathaway** filings, Buffett is still a net seller for 2020.

While Buffett hasn't gone as far as to say that stocks will crash in 2021, his top lieutenant has all but come out and predicted it. Charlie Munger—Buffett's right hand man—recently said that stock returns would be lower in the current decade than the previous one. He even went so far as to say that we are “[near the edge of playing with fire](#).” It sounds an awful lot like Munger expects a market crash. And based on his recent actions, Buffett agrees with him.

Warren Buffett has spent most of 2020 selling stocks

As mentioned earlier, Warren Buffett has spent most of 2020 selling stocks. Some stocks he notably sold out of completely include:

- **Occidental Petroleum**
- **Restaurant Brands International**
- Every [airline stock](#) in Berkshire's portfolio at the start of the year

And that's just a sampler! In addition to those complete sales, he's also trimmed his positions in banks and mining stocks. That alone suggests that Buffett thinks that at least some stocks he used to hold aren't worth owning. Another indicator may serve to indicate how he feels about the markets as a whole.

Buffett's favourite indicator is bearish

When it comes to stocks as a whole, Warren Buffett has one indicator he trusts above all others:

Market cap to gross domestic product (GDP).

Often called the “Buffett indicator,” this ratio was described by Buffett as *“the best measure of where stocks stand at any given moment.”* As of this writing, the ratio stood at 203, close to where it was at the start of the dotcom bubble burst. If Buffett still stands by this indicator, then he probably thinks some turbulence is on the horizon.

One stock Buffett still likes

Despite his overall bearishness in 2020, Warren Buffett still has some stocks he believes in. Berkshire itself would be one of them, as he bought back \$9 billion worth of its stock in the third quarter.

Another one is **Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)).

Suncor is an oil & gas stock that got hit hard by the pandemic. Its stock is down about 50% this year, and has so far been a loser for Buffett. Suncor Energy lost money (in net income terms) in the first, second and third quarters. The first quarter loss in particular was massive at \$3.5 billion—although it included a lot of non-recurring, non-cash factors. The company has done better in terms of cash flow and FFO.

As of the third quarter, Buffett still held his SU stock. In fact, he hadn’t even trimmed the position. In a year where Buffett has been selling equities left and right, that’s a massive vote of confidence. And Buffett may be right to think as he does.

As the economy re-opens from the second wave of COVID-19, demand for gasoline is going to come back with a vengeance. That will benefit all energy stocks, but especially Suncor, which sells gasoline directly to consumers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/09/13

Date Created

2020/12/28

Author

andrewbutton

default watermark

default watermark