Do Warren Buffett's 2020 Moves Suggest a 2021 Market Crash Is Coming?

Description

Warren Buffett has been busy scooping up shares of some pretty surprising companies in 2020, most notably gold miner **Barrick Gold**, healthcare plays, and Japan's sogo shosha companies. His recent bets have also been quite minuscule compared to **Berkshire Hathaway's** swelling cash hoard and pretty defensive in nature, which some may think suggests a stock market crash is on the horizon.

Why is Warren Buffett treading so carefully when most others are incredibly bullish on 2021?

"Be fearful while others are greedy and greedy while others are fearful" is Buffett's mantra. But when the markets collapsed in February and March, why did the man not take his own advice by loading up on dirt-cheap stocks while most others ran to the hills?

Berkshire's wholly owned operations and a big chunk of Buffett's portfolio had already skated offside when the insidious coronavirus crisis struck. The COVID-19 pandemic came from out of nowhere, and even if Buffett saw it coming in early January, there really wasn't much the man could have done to avoid taking such a hard hit from the coronavirus impact.

The best Warren Buffett could have done is manage risks brought forth by the COVID-19 crisis to the best of his ability, even if it meant missing out on considerable upside in the event of a V-shaped market recovery, which we ended up getting.

Wholly owned businesses under the Berkshire umbrella, including GEICO, Precision Cast Parts, and even See's Candies felt the force of the COVID-19 impact. Seeing as the man couldn't have disposed of such businesses, given Berkshire's limited agility to respond to the slate of new risks, Warren Buffett did the next best thing by making big changes to his portfolio, ridding it of vulnerable airline stocks and loading up on defensive plays, including gold miner Barrick Gold and grocery stocks. More recently, Buffett trimmed his stake in Barrick, but I still think he's playing it cautious, with bets on a handful of healthcare stocks and cheap Japanese trading companies.

Moreover, Charlie Munger's recent comments on a market frenzy don't seem to suggest Warren Buffett's ready to get greedy just yet. A 2021 stock market crash could change this, however.

Should you still follow the Oracle into defensive plays with the pandemic's end in sight? Or could a stock market crash be on the horizon?

Unlike Warren Buffett, you don't have COVID-vulnerable companies that you can't sell. You can mitigate COVID-19 risks more effectively by buying and selling securities to bring your barbell portfolio, which balances pandemic-resilient defensives with reopening plays, into balance.

While we're not out of the woods yet with this pandemic, I think it makes sense to stay the course with the barbell portfolio, perhaps with a slightly heavier weighting towards the reopening plays. Just because Warren Buffett has been defensive in the last few quarters doesn't mean he won't become more aggressive with reopening plays in the new year. As such, I don't think it's a good idea to follow the man into Barrick Gold or weigh your portfolio too far on the defensive side, especially if your portfolio already balances pandemic risks.

In any case, I don't think Warren Buffett is betting on the occurrence of a 2021 stock market crash, but he's certainly not ruling one out. And neither should you.

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