



Warren Buffett: Predicting a Substantial Market Crash This Year

Description

We've experienced a few black swan events over the years, but none of them have been quite like the COVID-19 pandemic. An unprecedented event, the likes of which was never even on the cards, the pandemic created a lot of uncertainty. Stock markets declined 35% within a few weeks between February and March 2020.

After phenomenal ups and downs, most stocks managed to pull some gains by the time 2020 ended. However, we may not be out of the woods yet.

Warren Buffett, the Oracle of Omaha, might be expecting a substantial market crash in 2021. He has not explicitly stated that he feels a more severe market crash this year, but he does not have to. Buffett's investment decisions in 2020 could practically be screaming that he expects a market crash.

I will discuss the moves indicating that Buffett could be predicting a market crash this year.

Holding onto the hoard of cash

One of the first things to consider is that Buffett spent most of 2020 selling stocks. His conglomerate **Berkshire Hathaway** was already sitting on a massive cash pile before the pandemic was even in the picture. Besides making a few acquisitions that are small considering his cash pile, he sold several stocks.

Buffett entirely [exited airlines](#), **Occidental Petroleum**, and **Restaurant Brands International** while trimming his positions in several other companies. This move alone suggests that he thinks some companies are not worth holding. Amassing more money also indicates that he is planning to buy big when the next market crash comes.

Holding onto gold

Buffett became a net seller for the first time in 2020. Additionally, the Oracle of Omaha made another

unprecedented move: Buffett invested in gold!

Warren Buffett has historically had a negative perspective on the rare yellow metal. While he did not directly buy gold, he did purchase millions of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) shares. Buffett believes that hedging your bets on gold is akin to betting against the economy. Considering his stance on the commodity, it was surprising that he purchased Barrick Gold shares in Q2, 2020.

Buffett later trimmed 40% of his shares in the Canadian gold- and copper-mining company, but he still holds 12 million shares of Barrick as of September 30, 2020. Gold miners like Barrick more than doubled their revenues due to higher gold prices. If a severe market crash happens in 2021, gold prices can rise further. Buffett could see significant profits on his Barrick shares, which could be a possible reason he continues to hold onto the company.

Foolish takeaway

While many investors found relief in the quick stock market recovery, these alarm bells do not present a very good outlook for the coming months. With the anticipation of a housing crash later in the year, it would be wise to reallocate your capital and [position yourself for a market crash](#).

Buffett's hedging his bets on gold. You could consider investing in Barrick Gold to align with the billionaire investor's strategy. If a market crash happens and gold prices go up, Barrick could make you a wealthier investor when the dust settles.

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Date

2025/09/07

Date Created

2021/01/04

Author

adamothonman

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