



Here's What Experts Think of the Stock Market Crash in 2021

Description

Every time the stock market makes the new highs, there is a growing fear of a crash lingering around the corner. Interestingly, the recent rally has been a remarkable one on the backdrop of the pandemic, so it's little wonder investors are all the more anxious.

But will there really be a crash, especially when the economies are re-opening and amid the great vaccination efforts? How do experts look at the current scenario?

Warren Buffett and a stock market crash

Warren Buffett, the most celebrated investor of our times, is playing it very safe. Though financial media is busy with the market crash rhetoric, he might not expect a crash as such.

Buffett's investing conglomerate **Berkshire Hathaway** sold aviation and restaurant stocks early last year but increased its bank and energy sector exposure. If he'd been expecting a crash, he would have offloaded more and trimmed exposures to cyclical stocks.

Berkshire is still sitting on a mountain of cash of around US\$150 billion. Lesser number of opportunities in such a frothy market could be one of the main reasons behind it. However, with such a hoard of cash, Buffett would probably have the last laugh should the markets crash in 2021.

Will we see another crash this year?

Yardeni Research President Ed Yardeni seems cautiously optimistic. In a recent interview with *CNBC*, he [forecasts](#) a firm economic recovery because of the vaccine and generous government aids. However, massive amounts of stimulus and pent-up demand could lead to inflationary pressures, which could hinder the markets' upside.

Overvalued stocks such as **Shopify** and **Tesla** could see some serious pressure in that case. The e-commerce facilitator Shopify stock is up more than 155% while Tesla stock has soared a massive

760% in the last 12 months. These two growth stocks had an outstanding run last year, but if things go as Yardeni predicts, these stocks could see some grave pullback in the second half of 2021.

The bond king Bill Gross also has a similar outlook for markets in 2021. He believes that growth stocks will underperform, and [natural gas pipeline stocks](#) will stand tall this year. The North American investor sees high-yielding gas pipeline stocks to outperform amid the rising fiscal deficits and near-zero interest rates.

Top TSX stocks and their valuation

Investors should note that all these celebrated investors are more concerned about the overvalued assets. Thus, the valuation will remain in focus this year. Overvalued stocks, which were the backbone of the recent rally, might not have as jolly time as they had in the last few years. While ploughing in growth stocks, investors can consider buying in portions in order to lower the risk.

Even if the markets look like in a bubble, the bullish odds are also equally strong. Aggressive vaccination and a stable economic recovery could drive stocks even higher in the latter half of 2021.

More importantly, this year's corporate earnings growth should look encouraging compared to 2020, which will likely be the biggest driver for stocks. While cyclical stocks like aviation and restaurants might see a relatively slower recovery, financial services and tech could well continue to dominate.

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