



## Warren Buffett: Get Ready for a 2021 Market Crash

### Description

Warren Buffett has a reputation for navigating periods of economic uncertainty so that he comes out a much wealthier investor on the other side. Having done it time and time again, everyone expected the Oracle of Omaha to deploy his cash hoard through **Berkshire Hathaway** to go on a buying spree in the stock market during the February and March 2020 market crash.

However, Buffett made a slew of investment decisions that confused investors and experts alike. I will decode his investing moves to tell you how he could possibly be preparing for a market crash far worse than the one we saw in 2020. It is even possible that the next market crash will not come with the miraculous recovery we saw in the months following March 2020.

### Buffett is holding a *lot* of cash

Investors were on their toes, waiting, and watching Buffett's investment moves, but he did not make any major acquisitions throughout the year. Surprisingly, 2020 was a year when Buffett became a net seller for the first time since many investors can remember. He did not capitalize on the V-shaped recovery in the stock markets.

Buffett had already piled up a lot of cash through his conglomerate in the months before the pandemic struck, suggesting he was expecting the market to crash soon. The market did crash, but for a completely unexpected reason. The underlying factors he must have been tracking were still there when the panic-fueled sell-off subsided because he had increased his cash pile further.

The only reason he could be holding on to more cash is that he wants to make major acquisitions when he can get better bargains in the market.

### He even bought gold

Another [surprising move](#) that confused investors in 2020 was Buffett's decision to invest in gold – more specifically, in gold stocks. Despite Buffett's historical stance on the rare yellow metal, he bought

millions of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) shares in Q2, 2020.

At the time, gold prices were climbing higher and higher, thereby increasing Barrick's profit margins and the company's valuation. While it may seem like he reversed his stance on gold, he technically never bought the commodity. Instead, he bought shares of a company that was profiting from gold prices, saw it as a valuable investment, and bet on the company's success.

In terms of seeking profits, investing in Barrick shares helped him achieve that goal.

The Q3, 2020 13F filing by Berkshire revealed that he trimmed 40% of his shares in the company since making the acquisition. The move might suggest he lost faith in the gold mining company — and it could also mean that he decided to take his profits and cash out to increase his cash pile for future acquisitions.

According to the latest figures, Buffett remains invested in Barrick Gold, suggesting that he could be willing to hedge on increasing gold prices in the near future for further profits.

## Foolish takeaway

Increasing his cash pile and investing in a company that profits from gold could suggest that Buffett is expecting the stock market to go through [a more drastic crash](#). He could be preparing for a market crash far worse than what we saw in 2020.

Suppose you believe that the billionaire investor suggests an imminent market crash. In that case, you might want to consider reevaluating your investing decisions to more defensive assets that can protect your capital and grow your wealth in the long run.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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