



Warren Buffett: How to Invest in the New Year

Description

Warren Buffett and his firm **Berkshire Hathaway** is in a slump. With too much cash sitting on the sidelines, Buffett and company could be in for another hit to the chin in the face of a potential unchecked rise in the rate of inflation.

The U.S. Federal Reserve is probably going to keep rates lower for longer, even if it means letting inflation pop above the 2% mark. While it may be difficult to justify valuations on certain [growth stocks](#), there are [pockets of undervaluation](#), just as there are pockets of severe overvaluation that stock pickers can take advantage of in the new year.

As the great Warren Buffett once put it, investing is a game with no called strikes. You don't have to swing if you don't want to, and you can choose to swing at the pitches that nobody else wants.

Warren Buffett will rise again from this slump

While Warren Buffett has been busy in 2020, with eyebrow-raising purchases, particularly in defensive areas of the market with a wide range of health care stocks, gold miner **Barrick Gold** and Japan's robust "sogo shosha" trading companies, there's no denying that the man wasn't as active as he should have been. He also had his fair share of blunders, most notably with the premature sale of his airline stocks in the heat of the panic.

It's easy to criticize the Oracle of Omaha and conclude the man has lost his investment edge for his mistimed moves (or lack thereof) in the first half of last year. But, for the first time in history, hindsight is 2020.

Had Warren Buffett had a crystal ball handy, he would have put Berkshire's cash hoard to work in a steep crash that we now know to be one of the greatest near-term buying opportunities of all-time thanks to the U.S. Federal Reserve who wasted no time stepping in to prevent a continued tumble into the abyss.

Don't expect Warren Buffett to get greedy next year

Moving forward, I suspect Warren Buffett isn't trying to compensate for his lack of aggressive buying activity amid the February-March market meltdown. If you, like Buffett, didn't buy as much as you would have liked in the panic-driven market crash, stop kicking yourself.

Rather, take a page out of Warren Buffett's playbook, by focusing on the road ahead, rather than dwelling on a past that you can't change, or worse, trying to compensate in a vastly more expensive stock market by buying stocks for whatever price Mr. Market is asking for.

Berkshire Hathaway has enough cash to scoop up an elephant. But if the right price can't be struck, I expect Warren Buffett will continue to sit on his hands, as patient as ever.

Sure, investors are pressuring the man to swing. But he'll only swing when he sees a good chance to knock one out of the ballpark. Until then, don't expect him to give in to the pressure and swing for the fences on anything that can provide anything short of a grand-slam home run.

Foolish takeaway

I suspect Warren Buffett is more likely to make modest purchases in areas of the market that would be immune from the downfall of the current market frenzy. As others bet big on Bitcoin, EV makers, and all the sort, I suspect Buffett will look to the deep-value plays like **Suncor Energy** or re-up his stake in Barrick Gold, which could help Berkshire manage stimulus-induced inflation risks that are likely on the horizon.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. TSX:ABX (Barrick Mining)
3. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date

2025/08/25

Date Created

2021/01/13

Author

joefrenette

default watermark

default watermark