



## I'd Listen to Warren Buffett's Advice to Buy Undervalued Stocks Today

### Description

[Warren Buffett](#) has a long track record of buying undervalued shares. In doing so, he has been able to use the market cycle to his advantage. Over time, this has contributed to him outperforming the wider stock market over the long term.

Even after the recent stock market rally, there could be opportunities to buy undervalued stocks. They may offer greater scope for capital growth in a stock market rise, as well as more stable performance should there be another stock market crash in future.

### Warren Buffett's focus on undervalued shares

As a value investor, Warren Buffett has always sought to [buy undervalued shares](#). This does not necessarily mean that he purchases companies trading at cheap prices. Instead, he aims to buy a high-quality business for less than he believes it is worth. Sometimes, this can mean paying a higher price than sector peers are currently trading at. However, should the company in question have attributes such as a wide economic moat, Buffett has often purchased it in the past.

The result of this strategy has been very successful for Buffett. He has outperformed the wider stock market over a period of many years. Following a similar strategy could be worthwhile, since it may allow an investor to generate relatively high returns. After all, a stock that is priced for less than it is worth may be able to deliver stronger capital gains versus fairly priced or overpriced shares.

### The potential for a stock market crash

Warren Buffett's strategy of buying undervalued shares could also be appealing due to the potential for a stock market crash. Predicting when this will occur may be challenging. However, through buying companies that do not trade on excessively high valuations, it may be possible to outperform the wider market in a downturn.

Clearly, this does not mean that losses will be avoided. After all, no stock is guaranteed to produce

positive returns over any time period – even if it seems to be undervalued when bought. However, it can mean that an investor's portfolio which is focused on undervalued shares is less negatively impacted by weak investor sentiment and falling stock prices. Such companies may already trade at discounts to their intrinsic values, while overpriced shares decline to their real worth.

## Opportunities to buy undervalued shares today

There may be opportunities to follow Warren Buffett's strategy in today's stock market. A number of stocks and sectors are yet to fully recover from the 2020 stock market crash.

Certainly, some industries are trading at high prices and global stock markets have hit record highs of late. However, sectors such as retail and consumer goods could contain undervalued shares that represent buying opportunities. Through capitalising on them, it may be possible to earn attractive total returns in the coming years.

### CATEGORY

1. Investing

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