

# As the market crumbles here are 7 areas of well-worn Warren Buffett Wisdoms to help you stay afloat

June 17, 2022 | Nadine McGrath

[www.stockhead.com.au](http://www.stockhead.com.au)

## 1 – On market sell-offs

Buffett thinks of down markets as an opportunity to buy good companies at reasonable prices. One of his most famous quotes is:

- “Be fearful when others are greedy, and be greedy when others are fearful.”

His other quotes on market sell-offs include:

- “The most common cause of low prices is pessimism — sometimes pervasive, sometimes specific to a company or industry. We want to do business in such an environment, not because we like pessimism but because we like the prices it produces. It’s optimism that is the enemy of the rational buyer.”
- “Smile when you read a headline that says, ‘Investors lose as market falls’. Edit it in your mind to ‘Disinvestors lose as market falls — but investors gain’. Though writers often forget this truism, there is a buyer for every seller and what hurts one necessarily helps the other.”
- “I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years.”

## 2 – On predicting market downturns

Buffett makes it clear that no one has a crystal ball to tell just when there will be a market downturn.

- “The years ahead will occasionally deliver major market declines — even panics — that will affect virtually all stocks. No one can tell you when these traumas will occur – not me, not Charlie, not economists, not the media.”
- “Predicting rain doesn’t count, building the ark does.”
- “Forecasts may tell you a great deal about the forecaster – they tell you nothing about the future.”
- “In the business world, the rear view mirror is always clearer than the windshield.”

### **3 – On remaining calm during volatility**

When it comes to controlling that woozy feeling in the pit of your stomach during a market downturn Buffett's advice is to master your emotions.

- “If you cannot control your emotions, you cannot control your money.”
- “Widespread fear is your friend as an investor because it serves up bargain purchases.”
- “Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance.”
- “What you need is the temperament to control the urges that get other people into trouble in investing.”

### **4 – On bargain hunting**

When it comes to looking for quality stocks during market downturns Buffett has a plethora of quotes including:

- “In stocks, it's the only place where when things go on sale, people get unhappy.”
- “If I like a business, then it makes sense to buy more at 20 than at 30.”
- “It's far better to buy a wonderful company at a fair price, than a fair company at a wonderful price.”
- “Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down.”
- “All there is to investing is picking good stocks at good times and staying with them as long as they remain good companies.”

### **5 – On long-term investing**

Buffett is definitely a fan of long-term investing, with Berkshire Hathaway having held companies for many years and infrequently selling out positions. There are many classic Warren Buffett quotes on the topic – the first is one for the ages.

- “Successful investing takes time, discipline, and patience. No matter how great the talent or effort, some things just take time: You can't produce a baby in one month by getting nine women pregnant.”
- “Our favourite holding period is forever.”
- “The stock market is designed to transfer money from the active to the patient.”
- “Time is the friend of the wonderful business, the enemy of the mediocre.”
- “If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes.”
- “Someone's sitting in the shade today because someone planted a tree a long time ago.”

## 6 – On buying quality

When it comes to buying stocks, quality trumps quantity for Buffett, who believes you should do your homework to gain a thorough understanding of a company.

- “The best thing that happens to us is when a great company gets into temporary trouble. We want to buy them when they’re on the operating table.”
- “Keep things simple and don’t swing for the fences. When promised quick profits, respond with a quick no.”
- “The stock market is a no-called-strike game. You don’t have to swing at everything — you can wait for your pitch.”
- “Time is the friend of the wonderful company, the enemy of the mediocre.”
- “If a business does well, the stock eventually follows.”

## 7 – On taking a contrarian approach

Buffett doesn’t follow the herd and he’s often compared to others taking a different approach like Cathie Wood, which doesn’t phase the nonagenarian.

- “Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can’t buy what is popular and do well.”
- “Don’t get caught up with what other people are doing. Being a contrarian isn’t the key but being a crowd follower isn’t either.”
- “I had a great teacher in life, my father. But I had another great teacher in terms of profession in terms of Ben Graham. I was lucky enough to get the right foundation very early on. And then basically I didn’t listen to anybody else. I just look in the mirror every morning and the mirror always agrees with me. I go out and do what I believe I should be doing and I’m not influenced by what other people think.”
- “Beware the investment activity that produces applause, the great moves are usually greeted by yawns.”