

## **BUFFETT'S CASH BET - HOW ABOUT THEM 'APPLES'?**

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Nine months ago, I wrote about Buffett's headline-grabbing bets [1]: The Oracle of Omaha, as he is affectionately called, had raised a war chest the size of a small country and halved his large position in a prominent large-cap tech stock in Q1 2024.

With February's slight market weakness and with some headlines suggesting that Buffett's move was prescient, it's good to take stock.

We do not know precisely when Buffett raised cash in Q1 2024, but the S&P 500's midpoint that quarter was about 4,973. By February's close, the index had surged to approximately...

...(\*DRUMROLL\*) 5,954, for about a +19% gain, dwarfing any yield Buffet could have earned on his cash. This is a punishing missed opportunity cost—ironic, given Buffett's fondness for the S&P 500 as a reliable buy-and-hold vehicle.



And how about his eye-catching stock sale—was halving the position justified?

(\*DRUMROLL\*) Not at all—that stock closed February approximately +33% above its Q1 2024 midpoint—a staggering gain!

Buffett's rationale remains unclear. Many speculate he was responding to his own “Buffett Valuation Rule,” which called for lowering overall exposure as Market Capitalization surpassed the US GDP. Still, if he raised cash as a defensive move against an overextended market, the decision has backfired—as is often the case with market-timing bets. Alternatively, if the stock sale was a portfolio rebalancing move, he might have a point, but the trimming was grossly untimely, nonetheless. Notably, Buffett has yet to reinvest those sizable proceeds.

Nevertheless, in our original note nine months ago, we dissented:

“Valuation is Finance's dullest instrument and has been proven particularly ineffective in calibrating market adaptability or risk controls (...), especially short term. At this juncture, Buffett would likely do better by focusing his extra cash on an acquisition rather than market timing. If investors consider raising cash prophylactically, Valuation is not the right signal to follow—the status of the Market Regime is (...)! So, what is our current assessment of the Market Regime? You can read it in our latest Quarterly report [2], but here is an interim update: Our strategies' assessment is that the Market Regime remains Bullish. Raising cash now is likely a False-Positive error. This may change unpredictably, but we are committed to tracking it through the lens of our strategies. Is Buffett raising a lot of cash? He better be preparing for an acquisition!”

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Moreover, as we updated you in our subsequent Q2 [3], Q3 [4], and Q4 2024 [5] notes, the Market Regime continued to be bullish.

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[1] [https://www.linkedin.com/posts/konstantinos-kostas-grigorakis-cfa-754264103\\_buffett-is-raising-cash-shouldnt-you-activity-7201266264265142273--6Q3?utm\\_source=share&utm\\_medium=member\\_desktop&rcm=ACoAABozTTAB7\\_bL6T6pkl6yFlzuM8rHnhF3zMQ](https://www.linkedin.com/posts/konstantinos-kostas-grigorakis-cfa-754264103_buffett-is-raising-cash-shouldnt-you-activity-7201266264265142273--6Q3?utm_source=share&utm_medium=member_desktop&rcm=ACoAABozTTAB7_bL6T6pkl6yFlzuM8rHnhF3zMQ)

[2] <https://fa.wellsfargoadvisors.com/gnh-capital-group/mediahandler/media/637649/GNH%20Capital%20Group%20-%202024%20Q1%20Strategy%20and%20Market%20Update.pdf>

[3] <https://fa.wellsfargoadvisors.com/gnh-capital-group/mediahandler/media/653679/GNH%20Capital%20Group%20-%202024%20Q2%20Strategy%20and%20Market%20Update.pdf>

[4] <https://fa.wellsfargoadvisors.com/gnh-capital-group/mediahandler/media/669816/GNH%20Capital%20Group%20-%202024%20Q3%20Strategy%20and%20Market%20Update.pdf>

[5] <https://fa.wellsfargoadvisors.com/gnh-capital-group/mediahandler/media/684073/GNH%20Capital%20Group%20-%202024%20and%20Beyond%20-%20Strategy%20and%20Market%20Update.pdf>

Market Data throughout this Update: S&P Dow Jones Indices.

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