



## The Berkshire War Chest: A Crisis Hedge?

Berkshire Hathaway now sits on \$373 billion in Cash. They have enough to buy 480 companies in the S&P 500. For context, this is the largest cash stockpile since 2008. At that time, Berkshire used its cash not to buy stocks on the open market but largely to offer companies private deals that ordinary investors couldn't access. In doing so, they extracted extremely favorable terms from desperate companies in exchange for providing much-needed capital and Berkshire's confidence stamp of approval to soothe anxious investors.

The most notable trades included:

**Goldman Sachs (September 2008):** Berkshire invested \$5 billion in Goldman preferred shares paying a 10% annual dividend, plus warrants to buy \$5 billion in common stock at \$115 per share. Goldman eventually paid Berkshire roughly \$500 million to redeem the preferred shares early.

**General Electric (October 2008):** This was nearly identical to the structure Berkshire had with Goldman: \$3 billion in preferred shares with a 10% dividend, plus warrants. GE was widely seen as teetering at the time, and Berkshire's investment served as a powerful signal of public confidence.

**Wrigley/Mars (2008):** Berkshire provided \$6.5 billion in financing to help Mars acquire Wrigley, earning a high fixed return with minimal equity risk.

This raises the question: if, as an investor, you want to raise cash to reduce risk, might you be better served by buying Berkshire Hathaway shares and participating in its deal-making if the markets enter crisis mode?

# Berkshire's war chest: \$373bn of cash and Treasury bills

Quarterly cash holdings (\$bn)

■ Cash, cash equivalents and Treasury bills
 ■ Treasury bills purchased but not yet paid for



Sources: Company filings, FT research

## What To Watch Today

### Earnings

Wednesday Apr 8	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Delta Air Lines <small>DAL US</small>		0.66	0.46		13.79B	14B	\$44.74B	Q1	PM
Constellation Brands <small>STZ US</small>		1.68	2.29		1.84B	2.13B	\$27.91B	Q4	PM
RPM International <small>RPM US</small>		0.35	0.35		1.55B	1.48B	\$12.41B	Q3	PM
PriceSmart <small>PSMT US</small>		1.57	1.45		1.47B	1.36B	\$4.53B	Q2	PM

### Economy

Wednesday April 08 2026			Actual	Previous	Consensus	Forecast
06:00 AM	US	MBA 30-Year Mortgage Rate APR/03		6.57%		
06:00 AM	US	MBA Mortgage Applications APR/03		-10.4%		
06:00 AM	US	MBA Mortgage Market Index APR/03		278.3		
06:00 AM	US	MBA Mortgage Refinance Index APR/03		946.4		
06:00 AM	US	MBA Purchase Index APR/03		159.4		
08:00 AM	US	Used Car Prices MoM MAR		0.8%		

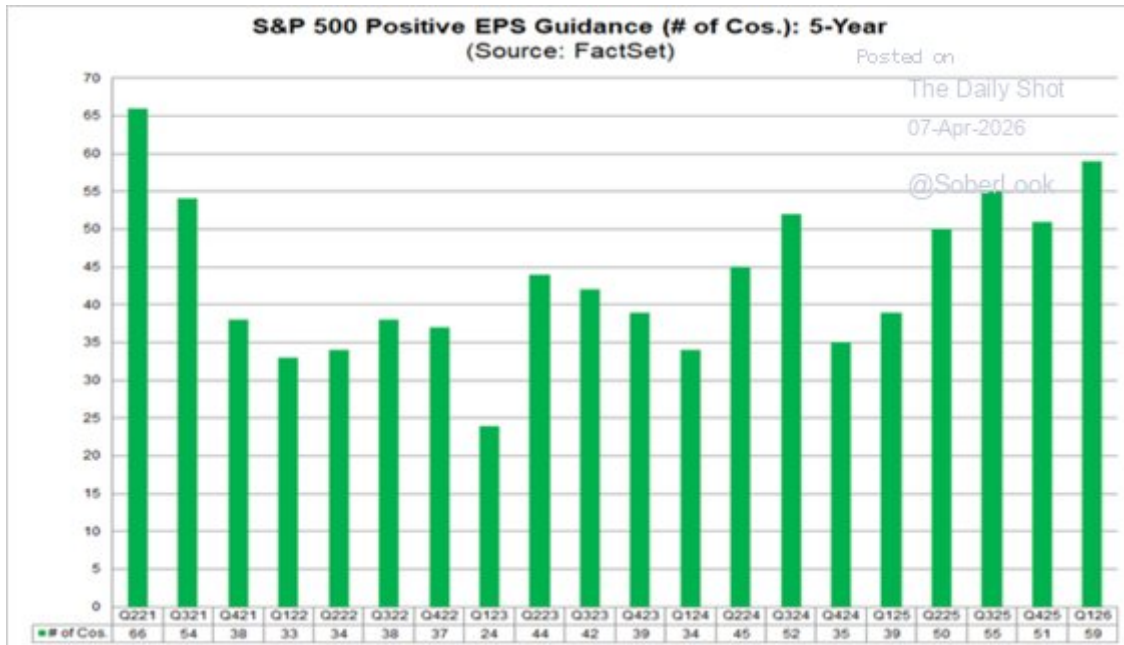
## Market Trading Update

Yesterday, we discussed a couple of reasons why the market could rally even as the financial media has been working overtime to convince investors that the sky is falling. Iran tensions, tariff escalation, recession fears, and misguided narratives of *?stagflation,?* even though the US economy is nowhere near meeting that definition. However, the narrative is as dark as it gets, which is great for clicks and views. **But here is the truth: markets don't bottom on good news.** They bottom when fear is so thick you can taste it, and right now, the data suggests we're getting close to that point.

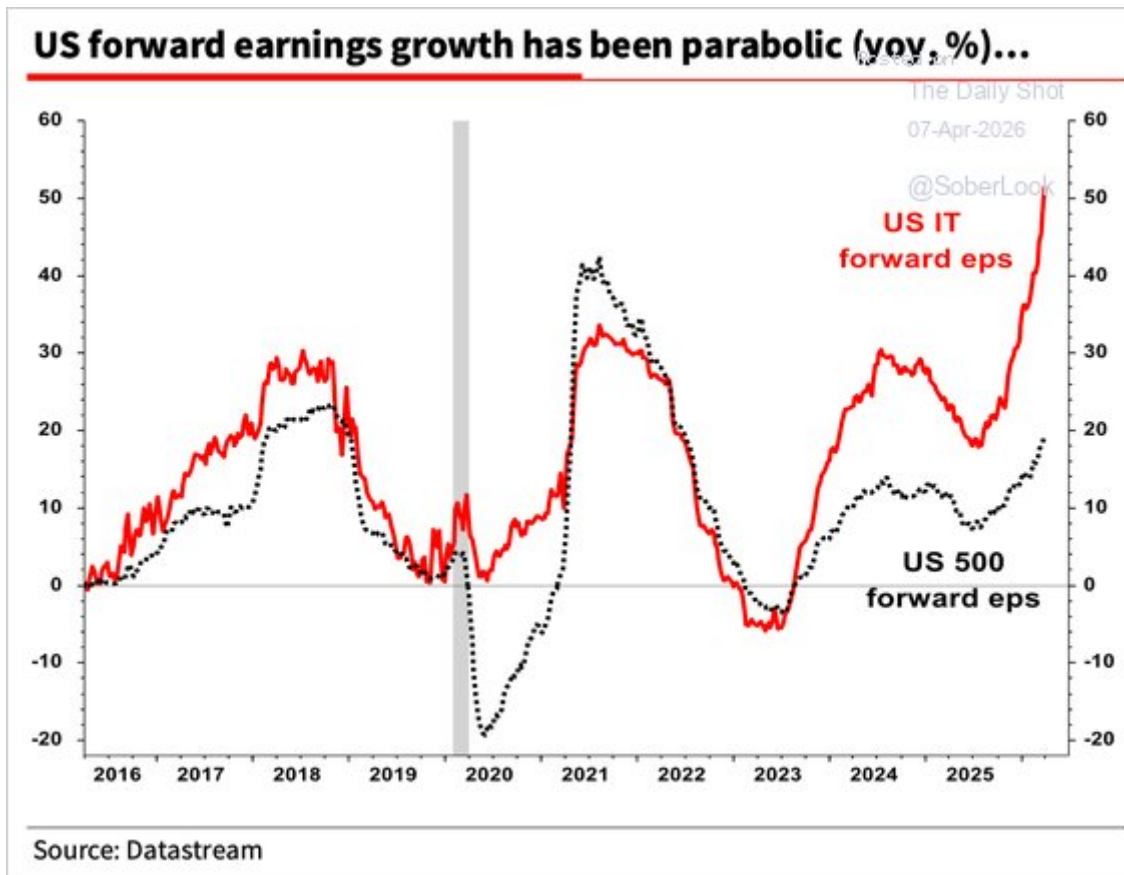
Start with put volume. As the first chart shows, SPY put volume recently hit its third-highest level on record, going back to 2022. That's not a bearish signal; it's a contrarian one. The prior spikes in put volume circled on that chart all coincided with significant market lows, not tops. When everyone is buying protection at the same time, it typically means the worst is already priced in. Panic is a leading indicator of relief rallies, not continued declines.



Then there's the earnings picture, where the Iran risk argument gets interesting. The FactSet data in the second chart shows that 59 S&P 500 companies issued positive EPS guidance in Q1 2026, the highest count in five years. Analysts have been revising numbers higher, not lower. That doesn't scream recession.



And the third chart from Datastream drives the point home ? U.S. IT sector forward EPS growth has gone parabolic, with broad S&P 500 forward earnings still solidly positive year over year.

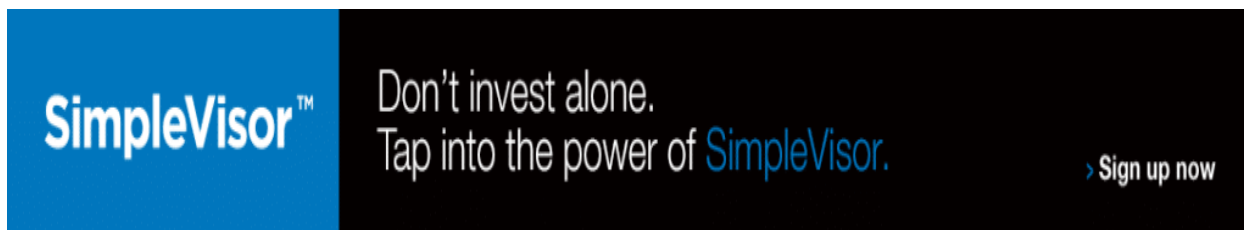


So here?s the disconnect worth watching. Valuations have compressed sharply over the past several weeks. If earnings estimates are holding and forward EPS is still rising, then the market is simply cheaper today than it was in February. Iran is a real geopolitical risk, but risk assets often price geopolitical shocks faster than the headlines suggest. By the time CNN is running wall-to-wall coverage, the institutional bid is frequently already forming beneath the surface.

None of this is a guarantee. Which is why we added to our near term market hedges. But the point is that markets can and do overshoot to the downside. But the combination of extreme put hedging,

resilient forward earnings, and compressed valuations sets up a better risk-reward than the current headlines imply.

Trade accordingly.



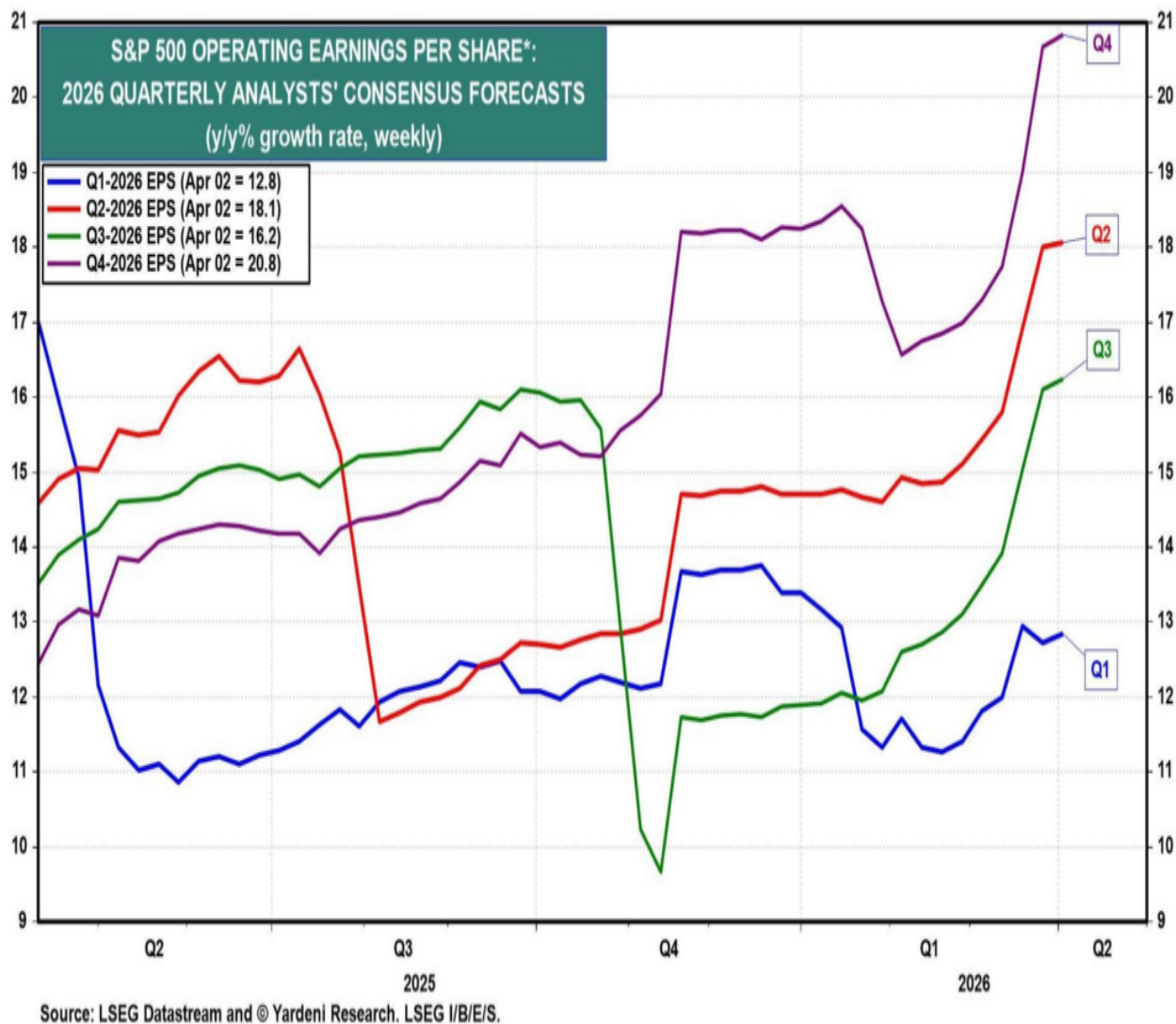
## Earnings Forecasts Create A High Bar

Despite the conflict in Iran, Wall Street analysts have been raising their earnings forecasts for the rest of the year in recent weeks. As the graph below shows, courtesy of Ed Yardeni, Wall Street expects >20% year-over-year growth in the fourth quarter. Again, earnings expectations are rising despite higher oil prices and the potential negative impacts on consumer and business sentiment. It's also worth considering that only two sectors, technology and energy, are driving the increased expectations. Consider the following statement from FactSet:

*Outside of the Information Technology and Energy sectors, the only other sector that has recorded an increase in dollar-level earnings since December 31 is the Financials sector (+0.4%).*

Three thoughts:

- Given that only two sectors are driving the higher expectations, higher earnings forecasts do not signal a broad-based economic resurgence as some believe.
- The market will likely pay more attention than usual to the upcoming guidance in Q1 earnings reports to better forecast earnings. Poor guidance, as we saw from Nike last week, could weigh heavily on stocks.
- Stock prices will want earnings to beat expectations to push the market higher. Thus, even if earnings meet the bold expectations, it may not be enough to satisfy investors.



## Coffee Drinkers Might Rejoice

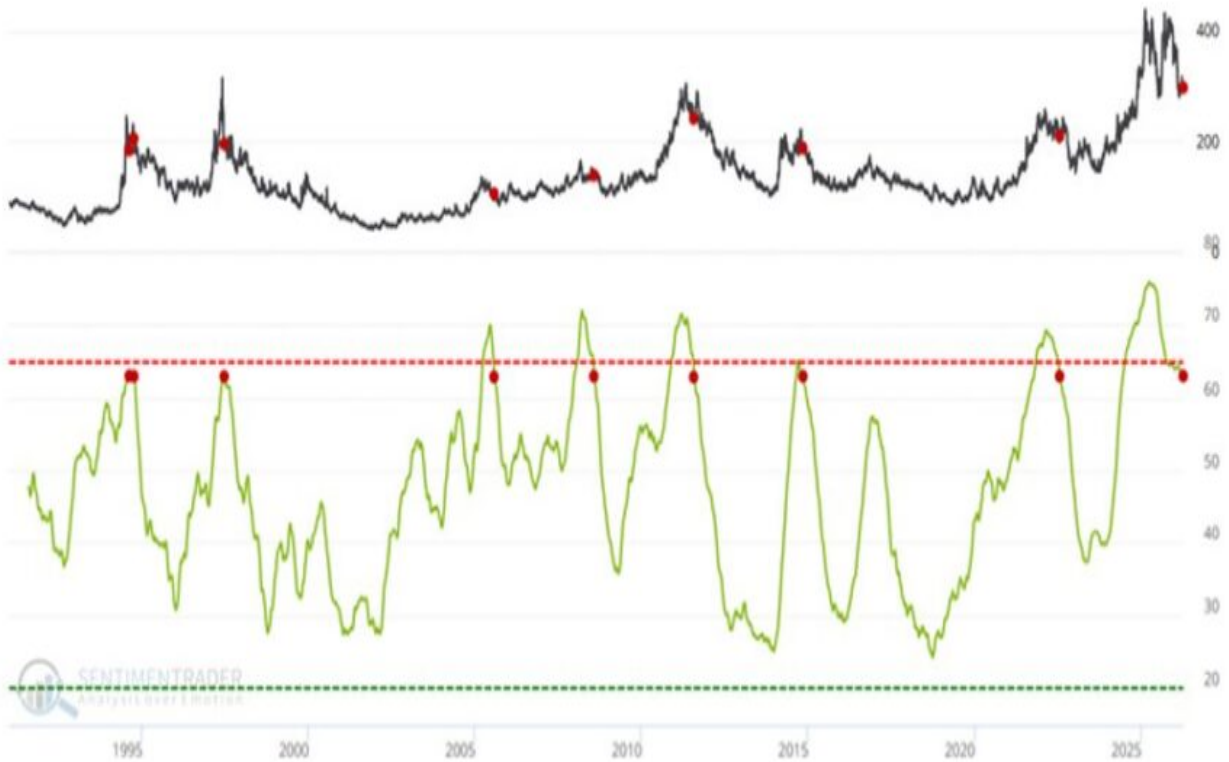
The graph below, courtesy of Sentimentrader, may foretell lower coffee prices at your favorite diner over the next year. The top graph below shows the price of coffee. The red dots highlight periods when the 150-period moving average of their proprietary Optix-sentiment index (green line) reached 65 or higher and then retreated below 65. Optix is based on a scale of 0 to 100 and uses factors such as options data, futures positioning, and volatility indicators. The tables below the graphs backtest the dotted periods and find that, on average, coffee declines by about 25% after meeting their 65-optimism rule.

# Coffee Optix

— COFFEE — 150-Period Moving Average ▲ Backtest — Excessive Optimism 65 — Excessive Pessimism 20 — Coffee Optix

Zoom 3m 6m YTD 1y 3y 5y 10y All

From Jan 2, 1991 To Apr 6, 2026



COFFEE	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	2 Months Later (%)	3 Months Later (%)	6 Months Later (%)	1 Year Later (%)
Average Returns	-1.97%	-0.37%	3.31%	-6.68%	-10.49%	-14.31%	-25.70%
Median Returns	-2.41%	-0.32%	0.86%	-6.73%	-9.30%	-15.21%	-26.09%
Win Rate	25%	50%	50%	12%	12%	12%	0%

Trade Date	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	2 Months Later (%)	3 Months Later (%)	6 Months Later (%)	1 Year Later (%)
1994-08-11	-1.14%	3.73%	17.66%	-0.24%	1.11%	-11.96%	-20.88%
1994-10-06	-5.42%	-1.51%	-11.06%	-21.75%	-17.81%	-18.78%	-44.57%
1997-06-19	-2.88%	-4.29%	-0.10%	-4.49%	-9.26%	-15.75%	-43.03%
2005-08-02	-3.75%	-9.10%	-8.30%	-12.34%	-9.33%	10.69%	-0.70%
2008-07-31	0.79%	-3.01%	1.83%	-6.39%	-19.48%	-14.68%	-8.25%
2011-08-03	-2.91%	8.81%	20.17%	-7.63%	-7.54%	-10.87%	-29.04%
2014-11-04	-1.94%	1.54%	-3.53%	-7.07%	-12.46%	-30.47%	-35.97%
2022-07-25	1.50%	0.86%	9.81%	6.43%	-9.12%	-22.66%	-23.14%
2026-04-06							

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## Tweet of the Day



**David Rosenberg** ✓  
@EconguyRosie



Best month for service-sector employment (+143k) since December 2024 if you believe the nonfarm payroll report. Worst month since December 2023 if you believe the ISM survey that just came out. Take your pick, because they both can't be right. Thing is – does anyone really believe that NFP headline when the revisions have been negative over 90% of the time in the past year and by a total of around 800k?

*?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?*

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