



## Warren Buffett Is a Genius to Invest in Barrick Gold (TSX:ABX) Stock!

### Description

Warren Buffett doesn't usually venture north of the border for securities, but when he does, Canadians should pay close attention. While I'd never advocate following an investment guru blindly into or out of stocks, as one would typically pay-up a hefty "Buffett premium" for shares (**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock surged 11% in a day on news of Buffett's new stake) while likely scoring a much higher cost basis than the Oracle of Omaha himself, investors have a lot to gain by studying Buffett's investments and adding the **TSX**-traded names he owns on one's radar.

### When Warren Buffett acts, it pays to listen up

At any given instance, even when macroeconomic risks are high, and stocks are frothy, there's bound to be value hiding in specific sectors. From a top-down perspective, Warren Buffett's purchases may serve as a hint as to where value may be hiding in any given quarter. One must be careful, however, not to draw the wrong conclusions from any single investment that Buffett has made, though.

There's no question that one would conclude from Buffett's recent activities that he's fearful that the pandemic could spark another [market crash](#). He sold the COVID-hit airlines and shed some big banks, which have been battered by the crisis. And then scooped up safe-haven gold miner Barrick Gold, which along with gold prices, has been pretty unstoppable amid the pandemic.

So, is Warren Buffett readying for another crash with his recent portfolio shake-up? Or is there actually deep value to be had in gold right now, as the metal looks to blast-off above the US\$2,000 mark?

Amid this unprecedented market and given the threat of rising inflation, I think gold is on the verge of a historic run to equally unprecedented heights.

I've been pounding the table on Barrick Gold stock well before Warren Buffett announced he'd initiated a position, praising the stock for its 1.2-1.4%-yielding dividend, which stood to reward investors over time while providing the same benefits to be had from the shining alternative asset.

Barrick is lowly-correlated the broader stock market and is a terrific way to hedge against a potential

surge in inflation that stands to severely punish many savers.

## Gold is an unproductive asset, Barrick Gold shares aren't

Warren Buffett has argued that gold is an unproductive asset. But with Barrick, you're getting a nice dividend that looks pretty productive for any portfolio, especially given Barrick's 1.2% yield now dwarfs short-duration bonds that don't provide the safe benefits of an alternative asset like gold.

To make Barrick's dividend even more attractive through the eyes of investors who like to be paid while they wait, the company recently boosted its quarterly dividend by \$0.08.

In the second quarter, Barrick crushed expectations on the earnings and free cash flow fronts. The company has a minimal amount of debt, and if gold prices surge to US\$3,000 over the next 18 months as some pundits predict, Barrick stock could quickly soar much higher into year's end, as profitability and free cash flows continue swelling.

And count me as unsurprised if the company delivers another generous dividend hike at a time when many other COVID-hit firms are slashing theirs.

## Foolish takeaway

Barrick is an expensive stock, but it's costly for a very good reason. Unlike gold bullion, which is unproductive, Barrick stock will reward you with a growing dividend alongside [capital gains](#), as gold continues roaring in its bull market.

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