



Warren Buffett Just Bought Gold: Should You?

Description

Warren Buffett is making up for [missed gains](#) in the 2020 market crash. The GOAT (greatest of all time) of investing is fortifying his stock portfolio with three significant buys. **Berkshire Hathaway** has been piling shares of **Bank of America** recently. Based on the latest quarterly filings with the SEC, his conglomerate is also buying back its shares.

The third move is taking a position in a gold mining stock. Market analysts find the purchase surprising, because the billionaire investor is not a fan of gold. Buffett describes gold as having “no utility” and incapable of creating anything. With his influence on the market, should investors follow Buffett’s lead?

Shifting view

Investors are noticing Buffett’s shifting [view of the market](#). Berkshire dumped its entire stock holdings of **Restaurant Brands International**, notwithstanding the remarkable rebound of the restaurant stock from COVID-19 lows. The company then bought \$564 million worth of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) shares.

Buffett thinks the gold producer can deliver higher long-term returns than businesses affected by shutdowns. Owners of physical gold or gold stock investors see plenty of upside over the next 12 to 24 months. The yellow metal has better value than the low-yielding U.S. and global bonds. Besides, physical gold recently posted two consecutive record-closing highs.

Go for the gold

The idiom “Go for the gold” reminds us of the thrill of the Olympic Games. But the meaning of the expression is to pursue or attempt to achieve the very best possible outcome. Suddenly, Barrick Gold is now the second Canadian stock of Buffett after **Suncor Energy**.

With the narrowing list of options and the increasing geopolitical risks, gold is again the preferred safety net. Investors feel more secure with gold, given the lingering threat of COVID-19. Furthermore,

gold prices tend to soar when there is fear, panic, and market uncertainty.

Another interesting observation is that Buffett has found an excellent hedge against a highly volatile market and a potential uptick in inflation. The stock performance of the Canada-based mining company so far this year has been stellar. Barrick Gold investors are winning by nearly 60% year to date. Likewise, the gold stock is handily outperforming the market.

Had you invested \$50,000 in Barrick at the start of 2020, you would have a windfall of \$30,209.64 today to raise your total money to \$80,209.64. When news of Buffett's position in Barrick Gold broke out on August 17, 2020, its price jumped 11.31% to \$39.84.

Gold die-hards are happy to welcome Warren Buffett in the gold mining industry. His choice of Barrick Gold is perfect. The \$68.03 billion company is the world's second-largest gold producer. With the half-a-billion stake, Berkshire Hathaway becomes the 11th-largest shareholder in the gold miner. The stock will also pay a 1.12% dividend.

A potential gold bull market

Warren Buffett advises people to invest in businesses that you understand. He doesn't like gold that much, but he knows mining. He said, "Gold is a way of going long on fear, and it has been a pretty good way of going long on fear from time to time." The entry of Buffett into gold could generate interest among the big players and start a gold bull market.

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