



Warren Buffett Just Bought This TSX Gold Stock: Should You?

Description

Warren Buffett is widely known as one of the best investment managers of all time. So it's no surprise when his company, **Berkshire Hathaway**, buys a **TSX** stock, investors notice.

Over the years, investors have known Buffett to be a fundamental long-term investor. He has a strong belief in the long-term potential of the economy. Therefore, if you pick the best companies and hold them for the long-term, you are guaranteed to grow your capital.

While many have questioned Buffett from time to time, over the years, he has proven that theory is highly successful.

Because of this long-term view of the economy, Buffett has largely dismissed owning safe-haven securities such as gold for most of his career.

However, as the global economy is being impacted by an unprecedented pandemic, it looks as though Warren Buffett may have begun to shift his thinking.

Warren Buffett's new gold stock

Since the start of the coronavirus pandemic, the price of gold has been steadily increasing. That's because with so much stimulus needed and new money supply entering the economy, the environment is perfect for gold prices to skyrocket.

As long as real interest rates stay near zero, gold will be a worthwhile investment. And this doesn't look like it will change anytime soon as major countries debate adding even more stimulus.

Often, rather than investing in actual gold, investors will buy **TSX** gold stocks. This is exactly what Warren Buffett did recently with his company's purchase of **Barrick Gold Corp** ([TSX:ABX](#))(NYSE:GOLD) shares.

Buying and holding gold bullion can be expensive because it's costly to store. Plus, TSX gold stocks

are leveraged to the price of gold. So often, investors can avoid the high costs of owning gold while receiving leveraged exposure to the precious metal.

For example, since the bottom in March, the price of gold is up roughly 28%. When you compare that to the gold stock Buffett just bought, however, the return since the same day in March is 72%. That's more than double, which goes to show the leveraged power of TSX gold stocks.

So should all investors buy [Barrick Gold Corp](#)?

While I think all investors should have at least some exposure to gold stocks, Barrick may not be for everybody.

Barrick is great because it's one of the largest gold mining stocks in the world with operations in several countries. This is extremely important because it diversifies production and reduces a tonne of risk.

This is likely why Buffett chose Barrick of all the gold stocks. It's one of the safer stocks to buy, which will guarantee you leverage to the price of gold without taking on all the risk of a smaller company.

However, because it's a more conservative investment, there's a possibility investors will miss out on some upside that a smaller cap gold stock could provide.

The trade-off makes sense for an investor like Warren Buffett with a massive sum of money he's trying to protect. However, for the average investor, you may want to consider a gold stock with even more potential.

TSX gold stock to buy

I would advise investors to follow Buffett's lead if you haven't already bought TSX gold stocks. I have been consistent in recommending gold stocks since the start of this pandemic, and it continues to be the [one industry](#) I think has the highest short to medium-term potential.

One of the top stocks that I've been recommending and one of my largest holdings is **Equinox Gold Corp** ([TSX:EQX](#)).

Equinox is a rapidly growing gold company that is considerably smaller than Barrick. Because the stock was going through a natural growth phase at the time that the entire industry has taken off, the stock's appreciation has been spectacular.

Since the bottom in March, Barrick shares have increased by 72%. Meanwhile, Equinox's share price has grown by a whopping 109%.

And this is just the beginning. Equinox continues to increase its production levels, and gold prices continue to rise. So at the moment, the sky is the limit for this high potential TSX gold stock.

Bottom line

Whether you decide you want the potential of Equinox or the safety of Barrick, in this environment,

owning gold is a must.

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