



## Warren Buffett: Should You Load Up on Gold in September?

### Description

Late last year, I'd suggested that the spot price of [gold could get to \\$2,000/ounce](#). I would like to credit my clairvoyance, but at the time I did not predict that there would be a global pandemic that would shake our societal foundations. Shocking, I know. Gold bugs are often the subject of derision in the investing community. Warren Buffett, an investing legend, has questioned the viability of gold as a store of value. However, Buffett's company shocked onlookers this summer.

### Warren Buffett: The newest gold bug?

In August, Warren Buffett's company **Berkshire Hathaway** added a [\\$562 million stake](#) in **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)). Some analysts were quick to point out that this move could have been triggered by one of Buffett's lieutenants. Barrick is one of the largest gold producers on the planet. Even if we assume that the move came from Buffett, we should not view this as a monumental change in strategy.

Warren Buffett has always held that the best bet is on the United States economy. That has certainly not changed with the addition of Barrick Gold. His top five holdings include U.S. giants like **Apple**, **Coca-Cola**, and **American Express**. Berkshire's Barrick holding is tiny in comparison to its larger bets.

### Why gold has floundered in recent weeks

The news that Warren Buffett bought Barrick caused gold to stir the next day, but it has since calmed down. It was trading around \$1,970/ounce in the early morning on August 31. Shares of Barrick Gold have dropped 2.8% month over month as of close on August 28. Gold has stuttered in part due to positive momentum for the global economy, particularly in Asia and Europe.

There is significant uncertainty in Canada, as government programs begin to wind down. Meanwhile, the 2020 presidential election looms in the United States. Whichever candidate comes out victorious, it appears that aggressive partisanship will only intensify in the months and years ahead. These conditions are bullish for the yellow metal.

## Three golds stock to follow Warren Buffett's lead

In Q2 2020, Barrick Gold reported adjusted net earnings per share of \$0.23 per share — up 44% from the prior year. Moreover, the company achieved strong cash generation and operating cash flow in excess of \$1 billion. The company's excellent balance sheet and earnings momentum are some of the reasons Barrick was likely attractive to Warren Buffett.

Shares of Barrick last had a price-to-earnings (P/E) ratio of 11 and a price-to-book (P/B) value of 2.3. This puts Barrick in solid value territory relative to industry peers.

**Kinross Gold** and **Kirkland Lake Gold** are two more Canadian gold producers to keep your eye on. Shares of Kinross have surged 89% in 2020 as of close on August 28. Its stock also has a favourable P/E ratio of 12 and a P/B value of 1.9. Kirkland Lake Gold has been a top performer on the TSX over the past decade. Its shares have climbed 22% so far this year. This company has a fantastic balance sheet. Moreover, it also offers solid value with a P/E ratio of 18.

### CATEGORY

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2. TSX:ABX (Barrick Mining)

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aocallaghan

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