



Billionaire Diaries: What Did Warren Buffett Buy on His 90th Birthday?

Description

Everyone was waiting for Buffett to buy stocks, but he sold his airline and restaurant stocks and hoarded \$137 billion cash. He always said that one should not keep too much liquidity, as its value will depreciate in the long term. In the search for value, he went international to Canada and Japan.

Buffett's surprise birthday buys

In August, Buffett made several changes to Berkshire Hathaway's

- The company increased its stake in **Bank of America** by \$340 million.
- It bought a \$600 million stake in Canada's gold mining giant **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).
- The company also lowered its stakes in big banks such as **Wells Fargo** and **JPMorgan** and exited **Goldman Sachs**.
- Just recently, Buffett's company bought more than \$6 billion worth of stakes in six Japanese trading houses.

Buffett's gold investment came as a surprise, as he has been critical about the precious metal. He always preferred investing in businesses and real estate over gold. Some analysts interpreted his actions as his bet against America, while some interpreted it as investing in stocks with an attractive valuation. There is a high possibility that this wasn't Buffett's decision but that of his lieutenants.

Should you follow Buffett and buy into gold?

I prefer investing in businesses over gold and silver. Barrick Gold has high exposure to gold prices. Gold price rises when the economy is under crisis, as investors use the yellow metal to hedge against inflation and stock market volatility.

The world governments have released huge financial aid, which is significantly increasing their fiscal deficit. Hence, it comes as no surprise that gold stocks surged after the March crash. Barrick Gold

stock surged by 75% to its eight-year high of \$38. The gold price has surpassed its 10-year high, with one ounce of gold costing \$2,622.

However, many experts believe there is a [gold bubble](#). Back in the 2009 Financial Crisis, gold prices started to rise during the economic recovery between 2009 and 2011. However, the gold prices fell after 2011, as the economy recovered to the pre-crisis level. Hence, those who invested in gold stocks at the 2011 peak are still out of money.

The gold stocks have once again reached the 2011-2012 level. It is difficult to say when the rally

Investor corner

Warren Buffett's recent buys show that he is preparing for another market crash. He is buying defensive stocks to hedge against another sell-off and is offloading stocks that are severely hit by the pandemic.

Are you are looking to invest your money but are worried about the uncertainty around the stock market and the economy? **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), North America's largest pipeline operator, is the right stock for you. It earns cash from long-term volume-based supply contracts. It spends some of this cash building new pipelines and distributes the remaining as dividends to shareholders.

The pandemic has reduced oil demand and also Enbridge's stock price, thereby inflating its dividend yield to 7.7%. This is a good opportunity to lock in a high dividend yield for a lifetime. As the economy recovers and oil demand rises, the stock price will surge.

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