



Warren Buffett Is Buying This 1 Canadian Stock: Should You?

Description

Investors worldwide closely follow Warren Buffett's investing moves to model their approach to emulate his success.

The Oracle of Omaha has had an illustrious career in stock market investing. His company **Berkshire Hathaway** has made several acquisitions over the years to make Warren Buffett a billionaire investor successfully.

The innate ability to seek out value in the stock market and to hold positions for decades have made him among the wealthiest investors in our time. The latest 13F filing in Q2 2020 by Berkshire Hathaway unveiled yet another interesting investment raising eyebrows.

Buffett buys Barrick Gold

The 13F filing in Q2 2020 revealed that Warren Buffett invested US\$563 million to establish a position in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). If you have been an avid follower of Buffett, you might find his brand-new position in a Canadian company a little surprising. The reason is simple: Buffett explicitly said that he does not like gold.

Buffett has historically avoided investing in gold and gold mining companies. He feels that gold does not have much use as a commodity outside of the jewelry industry. Investors and central banks treat gold as a safe-haven asset that provides better value than government bonds. Gold also provides a hedge against inflation, but that is arguable.

Why did Buffett buy the stock?

Buffett has not outright stated anything regarding his acquisition of Barrick Gold. He also did not comment on his [head-turning move](#) to entirely exit **Restaurant Brands International**. The best thing we can do is try to consider logic and guess why he might have made the surprising move.

Barrick Gold has been growing significantly in recent years. The company focused its attention on paying down its massive debts and making itself more profitable. Like any company in the gold mining industry, Barrick also benefited from the rising prices of gold.

Gold went from being US\$1,500 to more than US\$2,000 in early August. The price of gold is back down to the US\$1,900 region after the pullback last month and is holding steady for the moment. The sustained increase in prices means more earnings for Barrick Gold.

Barrick Gold expects to reach an output of around five million ounces of gold per year. At US\$1,900, the company could make US\$400 for each ounce of gold, adding US\$2 billion to the company's cash.

Foolish takeaway

Barrick Gold was struggling with a [massive debt](#) just a few years ago. It was US\$13 billion in debt that was driving the company's valuation down. The company could be in zero debt by the end of 2020. The question is: Should you buy Barrick Gold today?

Barrick recently experienced a slight dip in its share prices. The stock is down 5.53% since September 9, 2020. You could consider following the Oracle of Omaha and allocating some capital to the shares of Barrick Gold. Any good news for the company could provide you with substantial returns. Buffett is investing in gold and in Canada. You might want to consider the option too.

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