



Warren Buffett Is a Bull on This TSX Stock

Description

Whenever Warren Buffett speaks, it pays ample dividends to listen up. And whenever the man buys a stock, investors should take the move as a macro hint as to where the biggest opportunities may lie at any given instance. The man we know as the Oracle of Omaha may be 90 years of age. However, he's still as patient as ever and is willing to hang onto an undervalued investment until Mr. Market can [correct his mispricing](#) to the upside.

Now, following Warren Buffett blindly is a pretty bad idea. By mirroring his exact moves after they're announced to the public, you're not only likely to land a much higher cost basis (a higher price of admission) than the Oracle thanks to a Buffett premium (the herd tends to drive up new Warren Buffett stocks once they're disclosed to the public), but you'll also have no investment thesis to fall back on should the Oracle ditch his position. Once the Sage of Omaha sells a stock, the Buffett premium vanishes, and those riding on his coattails could be left holding the bag at the end of the day.

You need [a sound investment thesis](#) of your own. And while it's a good idea to follow and analyze Buffett's moves from a top-down perspective, it's never a good idea to not put in the homework. Sure, it's nice to have Buffett standing in your corner, but if you lack a thesis, you're probably more likely to lose money, as you unknowingly follow the herd of Buffett followers.

All that shines is gold?

So, with that warning out of the way, I'd like to draw your attention to Warren Buffett's latest TSX stock bet in **Barrick Gold (TSX:ABX)(NYSE:GOLD)**, a peculiar move that went against the Oracle's past words of wisdom. Buffett was never the biggest fan of gold. In fact, he slammed the "unproductive" asset, comparing it to farms and other investments that tend to generate more substantial rewards over prolonged periods of time.

So, why is Buffett warming up to gold miner Barrick? And will his decision to go against his prior words end up being a mistake, like with the airline stocks?

Buffett is probably still not the biggest fan of the gold miners in a normal market environment, even the

best-in-breed ones like Barrick. Given the environment we find ourselves in today is anything but normal, unprecedented times call for unprecedented moves and equally unprecedented stance reversals on certain sectors.

Warren Buffett adapts with the times

When Warren Buffett previously blasted gold, he probably had no idea that a global pandemic would send us into a “lower-for-longer” kind of interest rate environment, with a growing threat of inflation as a result of massive amounts of liquidity being pumped into the market.

Sure, gold is above and beyond its mid-cycle price; however, given the lower opportunity costs (versus fixed-income assets) of holding gold or gold miners and the fact that its benefits (a solid hedge against stock market volatility and inflation) are worth that much more in this abnormal, pandemic-plagued market environment, there are reasons to believe that gold prices could soar higher (potentially past US\$2,500).

The pundits will slam Barrick, noting that gold prices are unsustainably high. With a second wave of COVID-19 that threatens to propel us into a negative interest rate environment, with high inflation in a post-pandemic world, I think such “unsustainable highs” could become the new normal.

Foolish takeaway on gold miners and Warren Buffett’s stance change

Anything can happen with this pandemic. So, if you need to further diversify your portfolio given the new slate of risks brought on by COVID-19, I’d say it’s a wise idea to take Warren Buffett’s implicit tip by incorporating at least 2% of your assets to the shiny metal that Buffett once thought could not compete with the American mettle.

When it comes to gold exposure, Barrick Gold is the gold standard as far as gold miners are concerned. With a 1.1% yield that could continue growing over the next several years, the stock is far more productive than most other COVID-affected securities that could find themselves putting their dividends on the chopping block.

Stay Foolish, my friends.

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