



Warren Buffett: It's Time to Hedge: Buy Gold!

Description

Warren Buffett, aka the Oracle of Omaha, has a reputation for being a legendary investor over several decades of a successful stock market investing career. It's therefore no surprise that investors always look to Buffett when they are uncertain about what action to take.

When COVID-19 came along, investors sought the wise investor's investment decisions so they could get guidance on how to make more savvy money moves during the pandemic. While COVID-19 destabilized the world economy, Buffett remained uncharacteristically quiet during the market crash and recovery.

However, the latest 13F filing by his conglomerate, **Berkshire Hathaway**, revealed that Buffett made a very [interesting move](#). He is betting on gold!

Today I will discuss Buffett's investment in gold and whether you should consider hedging your bets on the safe-haven asset as well.

Gold miner

A gold bull is in progress right now. Gold has a current price of around US\$1,900, but analysts are predicting that it can grow more than twice its price in the coming few months. It seems that Buffett also sees that gold has room to grow. Buffett's Berkshire started a significant position in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) in the second quarter of 2020.

Gold prices bottomed in 2016 and consolidated for a few years before breaking through the US\$1,400 region in mid-2019. The booming prices of gold really helped Barrick boost its profits. In the trailing 12 months ending in Q2, Barrick had an EBITDA margin of 49.5% greater than the previous period. It reported US\$11.3 billion in revenue and an EBITDA of US\$5.6 billion in the quarter.

Given its immense growth, Buffett's bet on gold through Barrick makes sense.

Gold still has plenty of room to grow

Investors following Buffett for a long time know that he is not a fan of gold. He does not consider it a useful asset because it has little value outside the jewelry industry. However, taking on a more than half-a-billion dollar position in the **TSX** gold mining stock shows that he sees immense potential in the company.

Barrick is one of the largest gold producers worldwide. The company's business is booming due to higher gold prices. Remember that Buffett always hunts for value stocks that will grow substantially. Barrick has a valuation of \$34.89 per share at writing. If gold prices soar further, Barrick's valuation can also see a substantial boost.

Foolish takeaway

Warren Buffett is betting on gold. The billionaire investor surprised everybody when the 13F filing revealed that he established a position in the gold mining stock. Given his success in seeking out and successfully acquiring stocks that provide substantial growth to his portfolio, it seems that Barrick could be an ideal investment to consider.

The fundamentals for the underlying company behind the stock all seem to point towards a more positive direction. Buffett certainly sees that the stock has plenty of room to grow. You could consider investing in the gold stock if you anticipate a [second market crash](#), and you need to park your funds.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ABX (Barrick Mining)

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