



Alert: This Warren Buffett Stock Soared 8% on Thursday (and it's Still a Must-Buy)

Description

Shares of Warren Buffett stock **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) surged nearly 8% on Thursday on another big rally for the stock market on the third day of counting up the results from the U.S. election, which still has no conclusive winner.

At this juncture, it looks like Joe Biden is going to walk away as the new president of the United States. But with such a [ridiculously close race](#), the “Blue Wave” that investors feared going into the election is now off the table, making Biden’s corporate tax hikes and stricter regulations far less likely during his mandate. The markets breathed a huge collective sigh of relief, with tech stocks leading the upward charge alongside the names that were unfairly sold off in the last week of October over the potential for negative implications of the U.S. election.

Now that election unwarranted election jitters are in the rear-view mirror, investor focus will be on that much-awaited U.S. fiscal stimulus package. And with corporate tax cuts off the table, the stage looks to be set for a glorious [Santa Claus rally](#) that could bring the **S&P 500** to new heights by year’s end.

Gold rallies as U.S. election woes fade

Despite the massive layer of uncertainty being removed from Mr. Market’s shoulders, gold has continued its move higher, creeping above the US\$1,950 mark at the time of writing. With gold bulls calling for US\$2,200 gold over the medium term, premier gold miner Barrick Gold faces an environment that could give it yet another profitability jolt.

For the last quarter, Barrick clocked in an incredible \$726 million adjusted profit, which was up a whopping 78% year over year, crushing the consensus earnings expectation by nearly 25%. As one of the more efficient gold miners out there, it’s not a mystery as to why Barrick is Warren Buffett’s preferred way to play the space.

Still, all gold miners are at the mercy of exogenous factors that dictate the price of gold. Playing commodities can be a dangerous game given all the difficult-to-predict variables involved. A drastic fall in gold prices towards their midcycle levels could leave many investors, including Warren Buffett, with

steep losses, as profitability prospects take a turn for the worst. Some of the gold bears on the Street think gold prices are unsustainably high at near US\$2,000.

Warren Buffett: A golden opportunity with Barrick?

Warren Buffett has made a fairly quick gain with his relatively small investment in Barrick this year. And I think he could be accumulating more shares at these levels, given the unprecedented pandemic-plagued environment that could pave the way for an equally unprecedented surge in gold prices beyond the US\$2,000 mark.

Barrick, which has been enjoying an incredible boost from higher gold prices, may be in for a further jolt for the duration of this pandemic, as the insidious coronavirus will always be a major cause of concern. Moreover, once the pandemic concludes, I think the threat of a sudden uptick in inflation could keep the demand for gold (and gold miner stocks) quite high.

While gold will likely retreat towards its midcycle levels in time, I think such a retreat could take many years. And in the meantime, a miner like Barrick Gold, which is literally sitting on a gold mine, will continue to prosper.

Foolish takeaway

I've been pounding the table on Barrick, urging investors to follow the man into the name following the September-October correction. With Barrick Gold stock looking to break out to new all-time highs, I'd encourage investors to get some skin in the game, especially if they're lacking in exposure to the precious metals, which are a great hedge with a low opportunity cost of holding the asset in this rock-bottom interest rate environment.

Barrick is a profit machine, and I think its profitability prospects could improve even further.

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