Warren Buffett: Buy Gold and Get Ready for a Market Crash

Description

Warren Buffett's conglomerate **Berkshire Hathaway's** Q2 2020 13F filing in August revealed that the Oracle of Omaha made some big decisions with his investment portfolio. I will take a particular focus on Buffett's Canadian investments that were revealed in the 13F filing.

Warren Buffett bought five million additional shares of **Suncor Energy** to increase his position in the Canadian energy sector giant. The filing also revealed that Buffett sold his entire stake in **Restaurant Brands International**. Lastly, the Oracle of Omaha made the surprising move of investing heavily in **Barrick Gold** (TSX:ABX)(NYSE:GOLD).

Buffett bought gold!

While all three moves caught investors by surprise, Buffett's decision to bet on gold was the most confusing for investors who closely follow his investment career. To those who know, Warren Buffett has enjoyed a lot of success throughout his decades-long career without resorting to the rare yellow metal.

He has held a negative impression of gold for as long as history remembers. Buffett feels that gold has no real value beyond the jewelry industry. Until he bought Barrick shares, Buffett had never invested in gold or gold-mining companies.

However, gold is highly regarded as a safe-haven asset worldwide. It seems that the legendary investor let go of his disdain for gold, because that was the most practical decision to make. Buffett may be expecting a major market crash, and betting on gold is ideal for making the best of the situation.

A solid gold investment

So far, his investment seems to be proving fruitful for the Oracle of Omaha. Gold prices have been soaring due to the turbulence in stock markets. Gold miner stock valuations are reaching greater heights, and Barrick Gold is outperforming gold prices and other gold mining stocks.

Many believe that gold can still continue to rally. Higher gold prices will likely boost gold miner earnings for several quarters. Barrick Gold reported an incredible $726 million adjusted profit in its previous quarter, up 78% year over year. The gold miner blew past the 25% analyst expectations.

Barrick is one of the largest gold miners worldwide. It also has one of the most efficient gold mining operations in the industry. It makes sense that Warren Buffett decided to invest in the stock. He may still dislike the rare yellow metal that drives Barrick's profits. However, Barrick's fundamentals are strong, and it has a solid balance sheet that makes it an attractive investment during these challenging times.

Foolish takeaway

It is clear that Warren Buffett has a bullish stance on gold and gold miners right now. However, it is necessary to remember that gold prices are a major factor when it comes to investing in gold stocks. Playing commodities can be risky when there are unpredictable variables involved. Gold prices could increase in value if another market crash happens, but it could decline if the situation improves.

A drastic decline in gold prices towards midcycle levels could leave Barrick Gold investors with steep losses. At almost US$2,000 per ounce, many gold bears believe that gold prices are unsustainably high right now.

If there is a positive development with the global pandemic, it could improve the overall economy. The result could be a decline in prices.

Warren Buffett's investment in Barrick undoubtedly inspires investor confidence in the performance of gold and gold miners like Barrick. However, I would advise caution with how much you invest if you choose to follow the Oracle of Omaha.

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