



Should You Follow Warren Buffett Into Barrick Gold (TSX:ABX)?

Description

Warren Buffett has been a harsh critic of gold in the past. This all changed when **Berkshire Hathaway** made its initial stake in premier gold miner **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD) amid the pandemic. Although the move was minuscule compared to Berkshire's other holdings, it was still very much remarkable.

Was it Warren Buffett who decided to buy Barrick Gold in the first place?

Now, there's no way to tell for sure if it was actually Warren Buffett himself who hit the buy button on shares of the TSX-traded gold stock. Given he had never been a big fan of the shiny metal, I don't think it was the Oracle of Omaha himself to pull the trigger. I think it's far more likely that his associates Ted Weschler or Todd Combs decided to get into the gold stock in the first place. Regardless, any move made by his associates ought to have Warren Buffett's gold star of approval. And that in itself is good enough for Berkshire followers to conclude that the Oracle was bullish on gold stocks.

In any case, with Berkshire recently trimming its Barrick Gold stake by approximately 40%, I think Buffett fans should curb their optimism when it comes to the stock, especially now that shares are rolling over, with the end of the [pandemic](#) now in the cards for 2021 thanks to a handful of safe and effective COVID vaccines.

Barrick Gold: Slightly more bearish

I've been pounding the table on Barrick Gold stock well before the pandemic struck and Berkshire announced its stake. As uncertainties mounted in 2020, the demand for gold surged, and prices rose past the US\$2,000 mark, making the price of admission into gold plays a tad excessive for those who view gold prices as unsustainably high.

Now that we've got vaccines being rolled out and a more-favourable-than-expected U.S. presidential

election result (Joe Biden with no Blue Wave), I don't think the magnitude of uncertainties justify the high price of admission into physical gold or top gold miners like Barrick. While an unprecedented rise in the rate of inflation is high, investors should not expect the "safe" asset to hold its value through the post-pandemic environment. Gold, while a compelling alternative asset for its volatility and hedging benefits, is itself at risk of a considerable amount of volatility should prices retreat towards mid-cycle levels.

Foolish takeaway for Warren Buffett fans

While it's tough to tell what gold's next move will be, one should not assume that Barrick Gold (or any other gold miner) will continue to enjoy enhanced profitability at the hands of these remarkably high gold prices. That said, there are real benefits to holding gold as a part of a [diversified portfolio](#). As long as you're not attempting to speculate on gold prices soaring to US\$3,000, it makes sense to buy and hold a small position in Barrick Gold after its nasty 25% decline.

Warren Buffett still isn't a fan of gold. And I think it would be a mistake for investors to "follow" him or Berkshire into a name like Barrick Gold with the thought that he thinks gold prices could soar higher. Berkshire likely treated the Barrick stake as a small hedge.

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