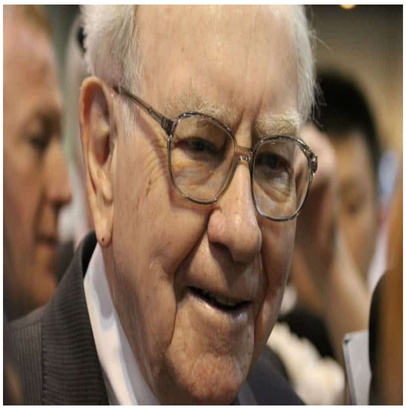

Market Crash 2.0: Load Up on This 1 Warren Buffett Stock

Description

Is another market crash coming? The question isn't being echoed around as frequently as it was a couple of months ago, but it's still present in many people's minds. A vaccine was expected to cull the fear that could become the trigger for another market crash, and it has, to some degree. But it would still take months to vaccinate enough people that the virus is no longer a threat.

Another reason why the market is expected to crash again is the difference between the market and the underlying economy. The Buffett indicator broke through the 180% mark twice this year, and while the warning was for the U.S. (Canada's market is significantly more stable), a crash there would most likely shake the market here as well.

If another market crash is just around the corner, you might want to emulate Buffett and hedge your portfolio with gold. Buffett's **Barrick Gold** (TSX:ABX)(NYSE:GOLD) investment is unique because that's the first time he did that. So if the Wizard of Omaha is contravening its life-long investment values and practices, you may want to pay attention.

The company

Barrick Gold is one of the largest gold mining companies in the world. It's running operations and projects in 13 countries on four continents. This geographical diversification makes the company's portfolio stronger. It produced about 5.5 million ounces of gold in 2019, and the guidance for 2020 is a little low (between 4.6 and 5.0 million ounces).

The company is currently trading at a price of around $29.4 per share. It's 26.6% lower than its peak valuation in the year, but it's not an unusual pattern. Gold tends to fall when the market is strong and rise when the market is weak. And if you buy it now when it's on the downward trend, you may enjoy sizeable gains when the market crash hits.

Though it's not a significant enough number to sway your decision, the company is also offering dividends, and the current yield is 1%.

Hedging your portfolio

While gold, as a safe haven investment, is ideal for hedging your portfolio, make sure it doesn't take up all the real estate. A hedge, even a figurative one, is well suited for boundaries. You may not want to convert more than 10% of your portfolio to gold lest it becomes dead weight when the market actually starts to recover after the second market crash.

You can also do what Buffett did and shed a sizable portion of your stake in Barrick when the economy starts to recover. This would allow you to benefit from gold's opposite trend in a market crash and have some cash in your hands to buy stocks when they are still trading near their crashed valuations.

Foolish takeaway

Adding gold might not be the only thing you'd want to do to prepare your portfolio for a market crash. If you rely on selling shares to create an investment income, you may want to sell some when they are still high so you're not forced to liquidate them when they are trading at rock bottom prices. A dividend-based portfolio might fare better unless the companies decide to stop or slash their payouts.

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