



## Forget Bitcoin! This Warren Buffett-Owned Gold Stock Is a Better Buy

### Description

The Bitcoin trade has been heating up again, with the cryptocurrency recently blasting a new all-time high at around US\$24,000. As speculators continue punching their ticket to play the game of greater fools (the Greater Fool theory has nothing to do with us [value-conscious investors](#) here at the Motley Fool!), many folks coming late to the game could be at risk of holding the bag.

With Warren Buffett's past disapproval for Bitcoin and cryptocurrencies in general, Foolish investors would be wise to sit the latest Bitcoin boom from the sidelines and instead look to battered gold stocks like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) if they're hungry for alternative assets with upside potential.

In an era of rock-bottom interest rates, cash and risk-free securities are the most unrewarding they've ever been. While equities may seem like the only game in town, investors would be best served by gaining at least some exposure to the precious metals, not just for the volatility- and inflation-hedging benefits, but also for a shot at lowly correlated appreciation and, in the case of Barrick, a compelling dividend.

### But Bitcoin is “sexier” than gold

With Bitcoin, you may or may not get similar hedging benefits as those provided by gold.

You certainly won't receive handsome cash dividends like those provided by shares of Barrick. And while wildly volatile cryptocurrency price movements may be lowly correlated to the broader stock market, Bitcoin and the broader basket of cryptocurrencies could easily implode at any time, as the broader stock market continues rolling along unscathed.

Indeed, there's some appeal to Bitcoin as a replacement for gold or gold miner stocks. But unless you're willing to [run the risk of losing your shirt](#), I'd encourage you not to treat Bitcoin or any other cryptocurrency as a suitable replacement for your physical bullion or precious metal stocks.

## Could Warren Buffett be buying more Barrick Gold on the dip?

Warren Buffett's preferred gold miner is Barrick Gold, a firm I've previously described as the gold standard as far as gold miners were concerned. Although **Berkshire Hathaway** has trimmed its position by 40% in recent months, I certainly wouldn't be surprised if either Buffett or his associates decided to scoop up more Barrick shares now that they're at lower prices.

The recent pullback in the price of gold has been pretty mild, dropping from US\$2,069 to US\$1,788 before recovering modestly to just US\$1,870. As it stands today, gold is off just under 10% from its high. Barrick Gold stock has been dealt a far heavier hit to the chin, with shares that are currently sitting down nearly 28% from its early-September all-time high of \$40 and change. Talk about amplified downside!

To make matters worse for Barrick shareholders, the stock seems to be showing no signs of bottoming out. With a dividend yield that's swollen past the 1% mark, Barrick has a payout that blows savings and short-duration bond yields right out of the water. The company's \$0.09 per share quarterly dividend looks sustainable and could be subject to further hikes should gold prices surge above the US\$2,000 mark again.

On the flip side, the dividend may not be on as stable a footing as most expect if gold prices were to pull back towards their midcycle levels below US\$1,300. Given the profound uncertainties and inflation threats plaguing this market, though, many analysts don't expect such a pullback in gold to be in the cards anytime soon.

## Why you should buy Barrick over Bitcoin

With the historically low opportunity costs of holding gold and gold miners in addition to the massive uncertainties in this pandemic-plagued environment, I think those lacking in precious metals exposure ought to think strongly about backing up the truck on Barrick stock today. Barrick Gold is Warren Buffett's preferred way to bet on the gold miners for a reason, and today, the price of admission is nearly 30% lower than it was at its peak in summer.

Bitcoin, however, could go either way and should not be owned by investors who are unwilling to lose a majority, if not the entirety, of their investment.

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### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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