



Warren Buffett: Sit on Gold and Wait for the Market to Crash

Description

Warren Buffett has a reputation for investing in several companies. From [financial institutions](#) of the highest order to energy giants, Buffett has diversified his investments in just the right companies to grow his conglomerate over the decades.

Berkshire Hathaway has made more than an incredible 180% in the last ten years. It is no surprise that investors look to the Oracle of Omaha to determine what they could invest in and what they should avoid.

Buffett seems to have invested in everything over his decades-long career. However, he has famously stayed away from gold and gold stocks. Buffett once said about gold, "It doesn't do anything but sit there and look at you."

Warren Buffett has enjoyed success through his value investing strategy. He invests in companies that will improve over time. Gold does not seem to fit the bill because gold does not grow at all. It just continues to exist.

Buffett invested in gold

His historical stance on gold was the reason everybody was shocked to find out that Berkshire invested in millions of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) shares in Q2, 2020. While he did not technically invest in gold, Buffett did invest in a gold mining company that relies on the underlying commodity's prices for its profits.

Or did he?

When he bought Barrick shares, it sent investors into a frenzy. Combined with the rising gold value, it sent the company's soaring. Buffett trimmed 40% of his Barrick shares by Q3, 2020. However, he is still heavily invested in the company. It means that he might not have just been in it for the immediate profits that his portfolio saw with Barrick's valuation soaring.

People typically buy gold because it is a safe-haven asset. Gold's value is typically inversely proportional to the economy. As the global stock markets decline, gold prices keep increasing. Gold also increases in value when there is uncertainty in the market.

Buffett's decision to remain invested in Barrick Gold could be a sign that he is sitting on gold due to an impending market crash. Warren Buffett is not technically investing in gold itself. He is investing in a company that mines the commodity to generate revenue. Technically, Buffett is still supporting a business instead of hoarding a commodity.

Warren Buffett has said that he would rather buy a goose that keeps laying eggs rather than buying the eggs themselves. Barrick could be his proverbial goose that keeps laying eggs for several years — or at least through a market crash.

Foolish takeaway

Buffett's decision to invest in Barrick and then trimming his position in the company might be confusing for many investors. However, you should remember that he did not exit Barrick Gold entirely. He only reduced his stake. It is possible that he could be banking on the stock to provide him immense returns.

Warren Buffett is also [hoarding a cash pile](#) that he has grown immensely throughout 2020. Between banking on gold and sitting on cash, Buffett could be preparing for a major market crash in 2021. Investing in Barrick Gold could be a wise decision if you believe that the market will decline this year.

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