



## Should You Take a Hint From Warren Buffett and Buy Gold Right Now?

### Description

Warren Buffett [shocked](#) the world when he (or at least his colleagues at Berkshire Hathaway) initiated a position in gold miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). The Oracle of Omaha was never a big gold bug. He's not a fan of the shiny metal, mostly because it doesn't produce anything over time and results over the extremely long-term pale compared to that of equities.

That said, unprecedented times call for unprecedented action. In this pandemic-plagued environment, where interest rates are at the floor, the opportunity cost of holding onto gold is low. While the price of admission is high, with gold trading at just north of US\$1,900, the asset very well may be worth the volatility- and inflation-hedging benefits, which can help combat negative economic surprises or an unchecked rise in the rate of inflation as a result of the excessive stimulus.

### Once the Bitcoin bubble bursts, gold could bounce

With Bitcoin and other cryptocurrency bubbles inflating to extreme heights, likely because speculators mistakenly view the asset as the "new gold," the price of gold will likely struggle to breakout past the US\$2,000 ceiling of resistance, even given profound inflation fears and macro uncertainties up ahead.

However, once the Bitcoin bubble bursts (I think it will in 2021), we could witness a rush to the shiny yellow metal, as investors swap their wildly volatile tokens for a safe haven asset that's a better store of value. Such a rotation back to gold could fuel the next leg higher for the gold miners, Barrick included.

If you don't have any precious metals exposure, I'd look to follow Warren Buffett by gaining *some* gold exposure today.

### Is Warren Buffett-owned Barrick Gold the best way to bet on gold?

Warren Buffett is a fan of Barrick for a reason. It's pretty much the "gold standard" as far as the gold miners are concerned. The managers are best-in-breed, and the dividend policy is compelling, especially for those who, like Warren Buffett, aren't keen on holding gold, given it doesn't "produce" anything over time.

Barrick's 1.5% dividend yield doesn't seem like anything to write home about, but it's a far better proposition for investors versus the likes of bonds, which are the most unrewarding they've been in a while.

Barrick Gold may be one of the more premier players in the gold mining scene, and it may be a wise choice to stand alongside Warren Buffett with a small investment to hedge your portfolio. But if you're looking to place a sizeable bet on gold (more than 5-10% of your portfolio) like gold bull Ray Dalio, it's probably a wiser idea to spread your bets across a wider range of Canadian gold miners like with the **iShares S&P/TSX Global Gold Index ETF**.

However, it's important to note that you won't get the same magnitude of yield as the likes of a Barrick. And you'll also be on the hook for a 0.61% MER, which, while not unreasonable, is a tad on the high side as far as gold index funds are concerned.

Moreover, gold miners tend to be more volatile than physical bullion or ETFs that mirror that of gold futures. Gold miners can be a great leveraged way to play gold, making them ideal for gold bulls or doomsdayers who expect the shiny metal to make a huge run.

If you're looking for a mere hedge and would rather not experience amplified swings like those faced by the miners, the **iShares Gold Bullion ETF** (CAD-hedged) may be a safer (and cheaper) bet, with its 0.55% MER. The Canadian-hedged version of the ETF will stand to benefit as the greenback weakens versus the loonie.

## The GLD standard?

If you're looking to play gold bullion for the long haul and are willing to get dinged by swapping your loonies for greenbacks, a non-TSX bullion ETF like **SPDR Gold Shares ETF** may be the best deal of all, with its mere 0.4% MER.

Yes, you'll get dinged initially by having to buy U.S. dollars to buy GLD. However, I think it's a worthwhile trade-off given the modestly lower MER and the fact that the ETF is more liquid than many of those traded on the [TSX](#), many of which are prone to wider spreads.

### CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

### TICKERS GLOBAL

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

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