



## Warren Buffett Should Buy Gold: Here's Why

### Description

Warren Buffett and his firm **Berkshire Hathaway** have a growing cash problem. While Berkshire has been repurchasing a considerable amount of its own shares of late, the fact remains that Berkshire's mountain of cash is capable of scooping up an elephant. Berkshire shareholders hope that the cash hoard can be used on a needle-moving acquisition at some point soon.

However, with stock market [valuations](#) on the higher end, Warren Buffett's job has become pretty tough. With the threat of an unchecked uptick in the rate of inflation as a potential after-effect of the profound amount of fiscal and monetary stimulus, Berkshire could find itself between a rock and a hard place.

### What's Warren Buffett to do with all that cash?

It's becoming [harder](#) to appease investors these days, some of whom may be inclined to tell Warren Buffett to swing at a pitch for a change. Berkshire's underperformance of the **S&P 500** has been a major topic of discussion in recent years. And while Warren Buffett disappointed some, having missed out on one of the greatest short-term buying opportunities of all time in the 2020 coronavirus market crash, I still think there are good places for Berkshire to park its cash in this pricy and uncertain market, as Warren Buffett waits patiently on the sidelines for the perfect opportunity to pounce on.

Warren Buffett isn't going to make an acquisition or investment for the sake of appeasing short-term-thinking Berkshire shareholders. He's more than willing to sit on his hands or nibble on shares with excess amounts of cash than run the risk of overpaying for a firm that could move the needle on BRK.B stock. With recent defensive bets in 2020, it's clear that Warren Buffett is proceeding with cautious optimism. He's not ready to back up the truck on stocks yet, but he remains bullish on the longer-term outlook for America, even with the devastating impact of this horrific pandemic.

### A golden opportunity in Barrick Gold stock?

Warren Buffett has never been a huge fan of gold. He hates the fact that it's an unproductive asset

that, unlike pieces of businesses, produces nothing over time. With Berkshire pulling back on its bond exposure in recent years with interest rates as low they are, I think the Sage of Omaha may hate fixed-income debt securities a tad more than gold.

Given how unrewarding bonds have become, the opportunity costs of holding unproductive assets like gold are close to the lowest they've ever been. Like Buffett, I've never been too fond of investing in the shiny yellow metal. That said, I dislike gold far less than bonds or cash in this pandemic-plagued environment.

## If I were in Warren Buffett's shoes, I'd buy more Barrick Gold

I think Warren Buffett should scoop up more shares of his favourite gold miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) on its latest dip or perhaps buy some bullion ETFs like the **SPDR Gold Shares** (my favourite way to invest in gold). I've called Barrick the gold standard as far as gold miners were concerned, and with shares down over 25% from all-time highs, I'd be very surprised if Berkshire didn't re-initiate a position after trimming its Barrick stake by around 40%.

Barrick's price is depressed, and the hedging benefits are well worth the price of admission. Sure, gold doesn't produce anything, but it's a terrific inflation hedge for any portfolio. With Barrick's 1.56%-yielding dividend, gold as an investment may, for the first time, outshine bonds through the eyes of Buffett and company.

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### Date

2025/08/18

### Date Created

2021/01/14

### Author

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