



1 Warren Buffett Stock to Buy for a 2021 Market Crash

Description

Is bitcoin's [outrageous rally](#) in 2021 an indication the digital currency is ready to replace gold as the place of stored wealth? Even if its market capitalization is now more than that of **Berkshire Hathaway**, Warren Buffett is unlikely to take a position. The legendary investor has some cruel descriptions for bitcoin before, including rat poison.

The legendary investor isn't a fan of both bitcoin and gold. Buffett's followers found it strange that in the second quarter of 2020, Berkshire Hathaway purchased a gold stock for the first time. After ditching airline stocks and Canadian icon **Restaurant Brands International**, Buffett invested in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

Safe asset class

For years now, and during times of economic downturn and [market turbulence](#), investors have turned to gold. The precious metal is the first choice if people want to limit exposure to losses. Gold allows diversification that some financial gurus suggest ownership of at least a 3% to 5% in a portfolio for good measure.

When markets are in distress, the value of most assets fall. Gold, however, could either increase or retain its value. Interest decisions by governments more often don't impact the value of gold. Historically, the precious metal serves as insurance against adverse occurrences and economic events. Investors also move their funds to gold whenever there's an inflation threat.

The COVID-19 pandemic had something to do with Buffett's sudden shift to a mining company. If you recall, the Oracle of Omaha described gold as a "useless asset." Today, Buffett is looking for a safety net. While the mining stock is not physical gold, Barrick Gold has something more to offer.

Attributes of the gold stock

Barrick Gold has a market capitalization of \$54.12 billion and is one of the world's largest gold

producer. Aside from gold, the company also mines copper. The company will present its Q4 and full-year 2020 earnings report on February 18, 2021. In Q3 2020, operating cash flow was \$1.9 billion or a quarter-on-quarter increase of 80%.

Management also boasted of a record level 151% increase in free cash flow in the same quarter. Buffett should be happy with Barrick Gold's robust performance and balance sheet strength. At the end of Q3 2020, total liquidity is \$7.7 billion, while cash-on-hand is \$4.7 billion.

The dividend yield is a modest 1.51% after the board of directors approved a 12.5% increase on the previous quarter's dividend. Where Barrick Gold is present, there's social and economic development. In 2019, the company's total economic contribution to various jurisdictions hit \$9.3 billion. Investments in community development projects and taxes paid to governments reached \$25.5 million and \$1.3 billion, respectively.

Value stock

The gold stock is not a high-flyer on the **TSX**. As of January 11, 2021, the share price is \$30.27, 34.2% higher than a year ago. In 2020, Barrick Gold rewarded investors with a 23.9% total return.

Berkshire Hathaway's 12 million shares of the Canadian gold miner represents only 0.14% of its total stock portfolio. Nonetheless, Warren Buffett knows a value stock when he sees one. Barrick Gold will produce steady income in the form of consistent profits and dividends in the years to come. He understands the business of gold mining too.

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