



Warren Buffett: The Market Will Crash. This TSX Stock Will Outperform

Description

Warren Buffett has been pretty vocal of late about the state of aggregate valuations in financial markets today. The idea that sentiment drives valuations makes stock prices seem a bit silly today. Indeed, if sentiment turns the wrong way, as we saw with the onset of this pandemic, a sharp decline could be on the horizon. Thus, the Warren Buffett mantra of being “fearful when others are greedy” holds true today perhaps more than ever.

In that context, I’ve got one of Buffett’s recent stock picks that I think will outperform in any environment right now. This is a TSX pick as well, which is unique given the U.S.-first focus Buffett has typically had with his investments.

Barrick Gold

In a [market crash environment](#), gold tends to outperform. This past pandemic-driven crash, we saw a delay with respect to gold prices acting as a hedge to financial markets. That said, the bull run in gold prices since March has been very beneficial for gold investors. Buffett added some exposure to **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) last year after the onset of the pandemic.

This portfolio addition was precedent-setting in so many ways for Buffett. The Oracle of Omaha has been obstinate over the years in his dislike for gold as an asset class to invest in. The reasons cited were centered on the unproductive nature of the precious metal. His comments on preferring to own a wonderful company generating growing cash flows over time over a piece of metal that just sits there has always rung true to me.

That said, this departure from his traditional philosophy took the market by surprise and drove Barrick’s share price higher in a short amount of time. After Buffett sold a portion of his stake in Q4 of last year, Barrick saw capital outflows. Warren Buffett’s influence remains strong on every stock he moves in and out of. That said, I think Barrick is one of those forever companies that is likely to do well regardless of who its investor base is comprised of.

Bottom line

I think gold miners like Barrick remain the preferable way to play gold right now. The leverage these miners provide to the price of gold is very attractive for those bullish on bullion prices. I see gold headed to the \$2,500 level this year at a minimum. Indeed, the amount of stimulus being put in place by the Biden administration can only weaken the U.S. dollar. Additionally, inflation has to take hold at some point with the trillions and trillions of dollars that are being printed right now. These are extremely bullish catalyst for Barrick that can only take this stock price higher over the long term. At these levels, Barrick is a screaming buy, in my opinion.

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1. Investing
2. Metals and Mining Stocks

POST TAG

1. Gold
2. investing
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