



Warren Buffett Hates Bitcoin More Than Gold

Description

Warren Buffett and his right-hand man Charlie Munger have had negative things to say about Bitcoin and other speculative cryptocurrencies over the years. Amid Bitcoin's latest surge to US\$40,000 and pullback to US\$35,000, don't count on the Oracle of Omaha to change his tune on the dangerously volatile cryptocurrency as he did on gold earlier last year.

While Bitcoin may have attributes that make it a compelling gold alternative for younger investors, one must not overestimate Bitcoin's disruption as a "better" gold alternative or discount gold as the ultimate [wealth preserver](#). The shiny yellow metal has been around for thousands of years, and if I had to make a bet, I'd say a digital currency like Bitcoin is not about to render gold obsolete. Not now; not ever.

Warren Buffett would probably be a gold bug before he'd consider touching Bitcoin with a barge pole

Warren Buffett is not a fan of gold's unproductive nature. But in this [pandemic-plagued, low-rate environment](#), where the opportunity costs of holding unproductive assets like gold are low, and the opportunity costs of holding cash are high due to the growing potential for a stimulus-induced rise in inflation, there's a strong case for holding gold as a part of a diversified portfolio.

With Warren Buffett scooping up and then trimming gold miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), it seems as though the man is willing to warm up to the shiny yellow metal, albeit reluctantly. If I had to guess, I'd say it wasn't Warren Buffett himself that hit the buy button on Barrick last year. I think his associates made the initial purchase (and probably the subsequent trim), but Buffett's gold stamp of approval (please, forgive the pun!) suggests that **Berkshire Hathaway** is changing with the times.

Unprecedented times call for equally unprecedented action, after all

With a handful of effective COVID-19 vaccines being rolled out (with more on the way), the case for holding gold may have waned in recent months. But with the geopolitical uncertainty and inflation risks, I still think it'd be wise for Warren Buffett and his firm to allocate a bigger chunk of the pie towards gold. Depending on who you ask, it's recommended that investors expose at least 4-5% of their portfolios to the shiny yellow metal for the hedging benefits. While gold doesn't pay you anything over time, it's been shown that its incorporation into a diversified portfolio can help improve upon a portfolio's Sharpe ratio (a measure of risk-adjusted return).

As you may know, Warren Buffett has a huge cash problem. He didn't back up the truck in the 2020 stock market crash, and I don't think he's going to give in to the pressure and swing for a pitch that doesn't allow Berkshire to unlock a considerable amount of value for its shareholders.

Warren Buffett should hedge his bets with a bigger stake in Barrick Gold

I think Warren Buffett ought to consider re-upping his stake in Barrick Gold. After the recent slide in GOLD stock (ABX is down over 25% from its high), I wouldn't at all be surprised to hear that Buffett is further diversifying itself with gold. Going into 2021, Buffett is heavy on cash, and I think he should be a bit heavier on gold, given inflation risks that could lie ahead.

One thing, I believe, is for certain: I don't think he's about to change his tune on Bitcoin or cryptocurrencies anytime soon — at least not until a legitimate stablecoin backed by fiat currencies is released.

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Date

2025/07/03

Date Created

2021/01/20

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