



Warren Buffett: Don't Buy Gold. Buy This Top TSX Gold Stock!

Description

Warren Buffett has historically been one of the biggest bears on Wall Street with respect to gold as an asset class. The Oracle of Omaha's views on gold as an asset class don't appear to have changed. The unproductive nature of gold (just a piece of metal that sits there) has never appealed to Buffett. However, it appears the gold mining business is one which has struck gold (had to do it) with one of the greatest investors of all time.

Barrick Gold

[Warren Buffett recently added Barrick Gold \(TSX:ABX\)\(NYSE:GOLD\)](#) to his portfolio past year. This investment was a marked departure from his prior investing mandates and signaled a change in how he thinks about gold.

I think the productive nature of gold mining might have been the key catalyst for such a change in mindset. Companies like Barrick offer large-cap exposure to an undervalued sector. We all know Warren Buffett likes value. Given the fact that gold miners are now trading at 30-year historical lows relative to the price of gold, the timing on this bet makes sense. There isn't much value present in the market today. However, companies like Barrick offer a very attractive value-based thesis for owning these stocks long term.

Buffett did trim his stake in Barrick last year, but I do think his change of perception of gold miners is worth investigation from those skeptical on this sector. Indeed, I think companies like Barrick have a lot of long-term upside from current levels. Apparently, the Oracle of Omaha agrees right now.

Bottom line

Gold has proven itself to be a relatively ineffective hedge against market volatility and inflation concerns. As we saw with the onset of the pandemic, the price of gold actually initially dropped in a substantial way in March. Yes, the price did soar afterwards into the summer, but there was a period of time when the world was upside down.

I think there is substantial upside on the horizon for gold long term, given the new era of monetary stimulus we have seemingly entered. Increasing budget deficits appear likely to remain the new norm for some time. Indeed, should gold prices continue higher, gold miners will reap outsized returns for investors. The operating leverage these companies provide investors allow for such returns. Accordingly, as the price of gold increases, gold miners get a shot in the arm in terms of margin expansion and earnings growth.

Indeed, I think Barrick represents one of the safest bets in the gold mining space today. I'd encourage all investor looking for value and defensiveness right now to consider this stock today!

CATEGORY

1. Dividend Stocks
2. Investing
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POST TAG

1. Gold
2. investing
3. market
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TICKERS GLOBAL

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

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