



Warren Buffett: 4 Reasons Why He Won't Ever Invest in Bitcoin

Description

Warren Buffett was never a fan of gold until the second quarter of 2020. The GOAT of investing took a [position in a gold stock](#) for the first time. The company is Canadian gold producer **Barrick Gold**.

In 2021, the Bitcoin mania is back. People are excited over the potential of the digital currency to replace gold as the safest asset to own.

However, despite the meteoric rise in value, Buffett is far from impressed. Bitcoin's price rose to a high of US\$40,797.21 on January 8, 2021, but it has cooled off since and is down 22.1% to US\$31,784.72. Still, the price today is 269.7% higher than it was a year ago.

While investors are [drooling over Bitcoin](#), it appears Buffett sees the world's most popular digital currency as entirely irrelevant. The following are four reasons why the **Berkshire Hathaway** chairman won't touch cryptocurrencies with a 10-foot pole.

1. No underlying value

Buffett is a value investor, which means his money will go to undervalued companies that produce stable and recurring cash flow. Over time, the book value will increase. With Bitcoin, he sees no underlying value. The value depends on whether one person is willing to pay for it at a higher price.

2. Hard to understand

The Oracle of Omaha advises against investing in things or businesses you don't understand. Bitcoin has a magnetic appeal, but you should first understand the mining operations and the blockchain technology supporting cryptocurrencies. Buffett will not merely buy Bitcoin because of the hot and trending technology.

3. Highly speculative

Buffett followers know their role model will not play in a sandbox or invest in high flyers. He views Bitcoin and other cryptocurrencies as speculative bubbles. In 2017, the price soared to nearly \$20,000 before crashing in 2018 and losing 90% of its value. Buffett will stick to companies with wide economic moats.

4. Worthless delusion

It's out of character for the legendary investor to speculate. While Buffett admits that blockchain technology is ingenious and important, he believes that Bitcoin is a worthless delusion. Expect a bad ending, he says.

Economic moat

Bitcoin is a better performer than **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), yet Berkshire Hathaway will not part ways with the beleaguered energy stock. Barrick Gold and Suncor are the only two TSX stocks in Buffett's stock portfolio.

Last year was disappointing for Suncor investors, because the oil sands king slashed its dividends by 55% and lost its Dividend Aristocrat status. In the nine months ended September 30, 2020, the company reported \$4.1 billion in net loss compared to the \$5.2 billion net income in the same period in 2019.

On the stock market, Suncor shares lost 47.7% in 2020. The lack of transportation infrastructure or pipeline shortage resulted in an oil supply glut. Thus, Canadian oil companies had to sell their oil at severely depressed prices. However, the woes of the oil and gas industry might be over soon.

According to **BMO** Capital Markets, if oil prices rise in 2021 and competition in crude supply to refineries on the U.S. Gulf Coast relaxes, oil sands companies like Suncor will greatly benefit. The industry will generate healthy cash flow again, according to **Goldman Sachs** and **Morgan Stanley**.

Buffett's metric

Bitcoin is rat poison to Warren Buffett. Besides, fads and short-term gains will not influence his decisions. The billionaire investor pays close attention to free cash flow, and he expects Suncor Energy to deliver.

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