



Warren Buffett Sold Barrick Gold Stock: Should You Sell Gold, Too?

Description

Well, that was quick. Warren Buffett bought an approximate stake of US\$565 million in **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) in Q2 2020. As the **Berkshire Hathaway's** 13F filing revealed this Tuesday, he had exited the gold position altogether by the end of 2020.

US\$565 million is a *lot* of money to most people. However, as I pointed out in [a previous article](#), “[I]t’s too much to say Buffett is bullish on gold. Rather, it’s better to say that he is using gold as a hedge for his investment portfolio.”

Barrick Gold composed just 0.28% of the Berkshire stock portfolio at the time. So, it was clearly a hedge. As there was a marked improvement to the global economies towards late 2020, assisted by years of advancement in technology application triggered by the pandemic, Buffett simply saw no reason to keep that hedge in the portfolio.

Despite Warren Buffett being known as a value buy-and-hold investor, there are times that he would hold investments for a short time. Buffett also [trimmed positions](#) in **Apple** and several banks.

Stock investors need to think for themselves in terms of their temperament, financial goals, investment knowledge, risk tolerance, and investment horizon.

This is a good lesson to avoid blindly following the moves of other investors because they are different from you and you would never know other investors’ true meaning in buying or selling a stock.

Should you keep gold stocks in your portfolio?

If you bought gold stocks as a hedge for the pandemic like Warren Buffet did, you might sell, as many of COVID-19’s impacts on the economy have lifted. As well, the market is optimistic about the global rollouts of the vaccine.

However, gold stocks move differently from stock market benchmarks. The 10-year chart below illustrates how Barrick Gold stock tends to fall when the stock market rises and rises when the stock

market falls.



Data by YCharts. A 10-year chart displaying a comparison between benchmark TSX:XIU and TSX:ABX.

Portfolio managers ensure its portfolios are sufficiently diversified. Do-it-yourself investors can determine whether having some gold exposure in their portfolio makes sense or not.

As the chart above shows, it would be defensive to have some gold stocks in your portfolio, if you think there could be a substantial stock market correction.

Generally speaking, fund managers don't advise having more than 5% of one's investment portfolio exposed to gold.

How is Barrick Gold stock doing?

Barrick Gold sold about 2% less gold and the same amount of copper in 2020 versus 2019. However, its cash flow generation is expected to be higher due to stronger commodity prices. The company will, in fact, be reporting its fourth-quarter and full-year 2020 results today, which will be telling.

The gold stock has been in a downward trend since August 2020 and fallen about 30%, which puts it in a good valuation for accumulation if you're looking for gold exposure.

Analysts have a 12-month average price target of US\$32.23 per share for near-term upside potential of close to 55% from below US\$21 per share at writing.

Based on its most recent quarterly dividend of US\$0.09 per share, Barrick Gold stock also offers a yield of 1.7%.

CATEGORY

1. Dividend Stocks
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2. TSX:ABX (Barrick Mining)

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