



Warren Buffett Sold Barrick Gold (TSX:ABX) and Shares Plunge: Time to Buy?

Description

Warren Buffett has had it with gold. In recent 13F filings, it was discovered that **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) had eliminated its stake from **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) amid the latest bout of weakness in gold prices. With gold on the violent retreat, does it still make sense to step in with a contrarian position now that the Oracle of Omaha has ditched a top-tier miner of the shiny yellow metal?

Gold prices have been on a vicious retreat lately, likely thanks in part to huge inflows into [Bitcoin](#), an asset that some like to view as a superior alternative to gold. The retreat in gold prices has been disastrous for shares for Barrick Gold, which are now down around 35% from their September all-time highs.

There's no telling why Berkshire Hathaway decided to get into Barrick Gold in the first place. In a prior piece, I'd highlighted the likelihood that it wasn't Warren Buffett himself who placed the initial bet, given his distaste for the shiny yellow metal, which he's slammed on numerous occasions for its unproductive nature. Had Berkshire bet on a farm, I'd believe it was Buffett who made the move. But a gold miner? I like to think it was his top associates, either Todd Combs or Ted Weschler.

Warren Buffett's gold investment didn't last long

Berkshire's stake in Barrick Gold was never really sizeable to begin with. I think Todd and Ted were looking to hedge against a drastic worsening of the COVID-19 crisis, given the massive cash pile on Berkshire's balance sheet. After **Pfizer** pulled the curtain on its safe and effective vaccine, a huge haze of uncertainty clouding this market had cleared up, inspiring investors to ditch their gold and gold miner shares before a reversal.

While I have no idea what gold's next move will be, I think it's safe to say that this will probably be Warren Buffett's last venture into the precious metal, as vaccines are rolled out, and the stock market looks to enter the "roaring 20s" phase that some optimists seem to think we're in for.

If stocks continue roaring as a part of a post-pandemic spending boom, and there's no evidence of a

violent spike in inflation to problematic levels (this didn't happen following the Great Financial Crisis of 2008), gold prices could be headed for a vicious bear market.

Still, commodity prices can be an impossible beast to predict, especially speculative assets like gold that move based on contingent big-picture events. There are just too many variables to form a price target. I'm not willing to predict the next move for gold prices, because I honestly have no idea what's next.

Gold could [skyrocket](#) like Bitcoin, or it could crumble like a paper bag, as it did in the early 2010s. The latter scenario would be catastrophic for the levered gold miners, especially those with sub-par balance sheets. If you are keen on betting on gold without the company of Warren Buffett, insist on high-quality miners or physical bullion.

Barrick Gold looks attractive, even after Warren Buffett bailed

If you're lacking in inflation hedges and want to further diversify your portfolio for the long term, then sure, it makes sense to buy gold and its miners on weakness. Just because Warren Buffett ditched Barrick Gold does not mean it can't make sense to scoop up for your personal portfolio. Barrick is one of the best-in-breed miners, and while the firm's dividend policy could go the way of the Dodo bird if gold prices crash further, I still think a small (3-5%) stake in the shiny metal can only serve to boost your portfolio's Sharpe ratio over the long haul.

Foolish bottom line

Personally, I'd look to buy Barrick Gold here, even though Warren Buffett will no longer be standing in your corner.

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