



Gold Stocks Help the S&P/TSX Composite Hang Tight

Description

In the face of a move lower by the U.S. market, the **S&P/TSX Composite Index** (^GSPTSE) had a relatively good day. Even though large caps such as **Potash**, **Valeant Pharmaceuticals**, and **Magna** with their respective returns of -3.3%, -2.8%, and -2.5% did their best to set the Canadian market back on this steamy Toronto Tuesday, a decline of just 11.5 points, or -0.09% is all they could muster.

The reason? Gold stocks were soaring! **Goldcorp** (TSX:G) and **Barrick Gold** ([TSX:ABX](#)) were the two biggest contributors on the day with returns of 4.9% and 5.9% respectively. Also making a solid contribution were **Yamana Gold** ([TSX:YRI](#)) and **Kinross** ([TSX:K](#)), booking gains of 6.7% and 6.0% each.

A move higher by the physical commodity was behind this move by the miners. However, the spot price only jumped by 0.6%. This provides an indication of just how beaten up these gold mining stocks have been, and how much torque they have to the upside should the price of gold continue higher.

This was the 6th time in 7 sessions that the price of gold has increased as speculation that the Federal Reserve may forget about its “taking the foot off the monetary stimulus gas pedal” threat from just a few weeks ago gathers momentum. The market continues to be all Fed, all the time.

Foolish Takeaway

One way or the other, resource stocks consistently have a significant impact on the Canadian market's performance. Because of their heavy-weightings in the TSX, these stocks can be harmful for those investors that think they are well-diversified with an index fund or ETF linked to the S&P/TSX Composite Index.

We have prepared a [Special FREE Report](#) that will clue you into the perils of investing in this kind of product and suggests an easy to implement alternative strategy. The report is called “**5 Stocks That Should Replace Your Canadian Index Fund**”. One of these 5 just got taken out at a huge premium. You can find out who the remaining 4 are simply by [clicking here](#).

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Fool contributor Iain Butler is short July 2013 \$40 put options on Potash Corp. and July 2013 \$32 put options on Goldcorp. He also owns shares of Potash Corp., Barrick Gold, and Yamana. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:K (Kinross Gold Corporation)
3. TSX:YRI (Yamana Gold)

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