One Sector to Watch in 2015: Gold

Description

As the New Year approaches, there are all sorts of outlooks and predictions floating around. Where will oil prices go? Will the market volatility continue? Will gold finally bounce back? Nobody knows the answers to these questions, but market trends and fundamentals can help guide investors in the right direction to make valuable investments.

There is one sector that I believe will do better in 2015 and pose to be a good investment in the long run: gold.

Investors either love this sector or avoid it like the plague, and I'm sure many readers will scoff at the title of this article. But hear me out. I agree that at current prices, gold will likely close lower for a third year in a row. But this is all the more reason to buy the metal and its stocks on a dip. There's one basic reason why gold prices are expected to jump higher in the next year or two: *d*emand and supply fundamentals.

The natural supply-demand dynamics are going in the direction that's favourable to gold prices. It is becoming increasingly expensive to produce gold since gold miners can't seem to find new gold deposits in spite of spending millions of dollars in search for them. Although production has grown modestly in past 10 years, finding new deposits has slowed down significantly. This will likely cause some sort of deficit in the market, which will naturally increase the price.

If new gold deposits can't be found, new gold can't be produced. It is a finite metal that can't be manipulated like printing money. With this thought in mind, the best way to look at investing in the sector is to consider buying mining stocks like **Goldcorp Inc.** (TSX: G)(NYSE: GG) and **Kinross Gold Corporation** (TSX: K)(NYSE: KGC). Goldcorp has lost 50% in the last five years, while Kinross is down about 50% since 2013.

Today, these mining stocks are incredibly cheap and trade at a great valuation. As long as the companies don't have highly leveraged balance sheets, any of them could potentially be a great buy. They only need to be able to survive and weather the current storm. Eventually, it will be cheaper for miners to buy each other out instead of go looking for more gold deposits, and that's why the companies that investors need to consider should have strong balance sheets that are not overleveraged.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:K (Kinross Gold Corporation)

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