



## Don't Look Now But Gold Is Back!

### Description

**Take Stock** is the Motley Fool Canada's **free** investing newsletter and is distributed weekly. This edition was sent to our followers yesterday. To have future editions delivered directly to you, simply [click here now](#).

Dear Fellow Fools,

What a comeback! After suffering a horrible second half of 2014, everybody's favourite precious metal has had a ripping start to 2015.

Check it out.

During the last six months of 2014, the S&P/TSX Gold sub-industry chalked up a return of -28.6%.

A horrible stretch to be sure, made even more horrible by the fact that the S&P/TSX Composite was down a mere 3.4% over this same period.

But hey, that was 2014. Since 2015 began, the S&P/TSX Gold sector has surged by 25.2%, almost entirely erasing last year's deplorable run. In the opening weeks of the year, the S&P/TSX Composite is essentially flat, clocking a return of just 0.5% as energy stocks continue to weigh.

And for good measure, the gold sector's good buddy silver has also had a rollicking start to 2015. Just have a look at the top 10 year-to-date (YTD) performers as we're set to say "so long, farewell" to this first month of the year (wasn't it just Christmas?).

Company Name	YTD Return
<b>SEMAFO</b> (TSX:SMF)	44.6%
<b>Goldcorp</b> (TSX:G)	40.9%
<b>OceanaGold</b> ( <a href="#">TSX:OGC</a> )	40.6%
<b>Detour Gold</b> (TSX:DGC)	40.5%
<b>Silver Standard</b> (TSX:SSO)	39.1%

<b>First Majestic Silver</b> ( <a href="#">TSX:FR</a> )	36.9%
<b>Pan American Silver</b> (TSX:PAA)	36.0%
<b>Agnico-Eagle Mines</b> ( <a href="#">TSX:AEM</a> )	35.3%
<b>NovaGold Resources</b> ( <a href="#">TSX:NG</a> )	34.3%
<b>AuRico Gold</b> (TSX:AUQ)	32.2%

*Source: Capital IQ*

## What on Earth Is Going On?

We get a lot of queries on individual companies from members in our *Stock Advisor Canada* service and it always surprises me how many are linked to junior resource companies that I've never heard of. Whether it's an energy company that has a prospective well site or a mining company with a plot of land in some far-flung jurisdiction, we Canadian investors seem to love our junior resource companies.

Because the analysts within *Stock Advisor Canada* (myself, along with three experienced Fools) are business-focused, long-term investors, we spend next to no time studying these junior companies. In our opinion, and to be frank, most of them are horrible businesses.

Therefore, when it comes to company specifics, we can't offer much insight as these queries roll through. However, what we can offer is the fact that when it comes to gold companies, or any other commodity-linked company for that matter, stock performance is almost always linked to the performance of their underlying commodity. This is what we try to make clear to our members.

Get the commodity's performance right and it's tough to go wrong. And somewhat ironically, it tends to be the junkiest companies of the bunch that do the best when the commodity is moving in the right direction.

So many heroes in the Canadian investment industry were crowned during the commodity boom times (approx. 2002-2007) because they simply threw every penny of their client's money, and in some cases their own, after this theme. Since the crash in commodities (which is exactly what's happened), you don't tend to hear much from these folks anymore – or at least if you do, their message doesn't carry nearly the weight that it did.

## Exhibit A

To illustrate the impact that the underlying commodity has on every resource and resource-related company, look no further than last year's horrible second half and the strong start to this year for gold stocks.

Consider that on June 30, 2014, the price of gold stood at US\$1,325.75/oz. It declined steadily from there, bottoming in early November at US\$1,144.50/oz – a 13.7% decline for the commodity, which translated to the -28.6% return from the stocks mentioned earlier.

Since those November lows, gold has done nothing but rally, hauling the stocks of the companies that mine it along with for the ride. After closing out 2014 at US\$1,199.25/oz, it currently stands at \$1,286/oz.

A similar dynamic can be outlined for silver.

### What next?

OK, you say – if it's all about the commodity, then where does gold go from here?

Here's another thing we tell our members.

We have absolutely no idea, *especially* when it comes to gold.

Luckily we're in good company however as nobody — **NOBODY** — has demonstrated an ability to consistently predict a future price for gold, or any other market-priced asset for that matter (how many were calling for US\$50 oil at this point last year?).

With that said, although I don't have any idea of where the price of gold (or silver) might be in a month, six months, or five years from now, I do recognize its merits as a diversification tool within a portfolio. In fact, we've even made what we consider to be the *best* gold- and silver-related business one of our Canadian recommendations within *Stock Advisor Canada*.

And since the New Year began, this recommendation has provided a very handsome 21.4% return. Not as much as the broad sector, mind you, but it's important to mention that in the second half of last year, when most gold stocks were hemorrhaging, this stock was down by just 15.8%.

Since we recommended this company back in April 2014, according to our Scorecard, where the performance of all 31 of our recommendations is tracked (the most recent of which was just made yesterday), the stock has booked a respectable return of 16.0%. This return is made even more respectable when we consider the S&P/TSX Composite is up just 4.1% over this same stretch, and the S&P/TSX Gold Index is **down** 1.3%.

Thus far, it's been a great recommendation and a great way to gain exposure to the precious metals space, as this company is heavily tied to both silver and gold.

### Bottom Line

Unfortunately, out of respect to our members, we can't reveal the name of this company via this forum. *Stock Advisor Canada* is, after all, a subscription-based service.

But ...

If you're chomping at the bit to learn more about what in our mind is the best way to gain exposure to precious metals, now is one of the best times ever to join us and find out what all the fuss is about – just as thousands of your fellow Canadian investors already have.

Though I can't give you the company, what I can do is direct you to our [sign-up page so you can of our Stock Advisor Canada "5-in-1 Investor Mega-Bundle" offer](#) – an offer that is set to expire in just *two days*.

On top of uncovering this relatively unknown precious metals stock, as well as being granted instant access to all 30 of our other recommendations, you get a whole pile (to use a highly technical term) of other very valuable information.

All at a huge discount!

And if, after [signing on](#), you're not 100% satisfied, no problem. We'll gladly provide you with 100% of your money back should you choose to cancel within the first 30 days (prorated thereafter). Essentially, this precious metal recommendation, and all of the others, can be yours for free, if indeed you choose to cancel.

We're confident, however, that after you spend some time familiarizing yourself with the site, **reading the interview we conducted with this company's CEO**, checking out our Discussion Boards, learning from your fellow Fools, and seeing all that we have to offer, you'll gladly choose otherwise!

Remember, our ["5-in-1 Investor Mega-Bundle"](#) is set to expire in two days — sign on today and we'll see you on the inside!

Your liking the looks of this deal analyst,

Iain Butler, CFA

Chief Investment Adviser, Motley Fool Canada

## CATEGORY

1. Metals and Mining Stocks

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## Author

tmfohcanada

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