3 Reasons to Invest in Gold Miners Right Now

Description

A resurgent U.S. dollar and an impending interest rate rise in the U.S. has put considerable pressure on the price of gold. This has made gold miners increasingly unpopular with investors.

Despite this, gold is an asset that should not be ignored. It offers specific benefits to investors that other asset classes can't.

Now what?

Here are three reasons why you should add beaten-down gold miners to your portfolio.

First, growing global geopolitical instability makes it important for investors to weatherproof their portfolios against uncertainty.

The world's largest oil-producing region, the Middle East, remains engulfed by conflict. The conflicts in Syria and Iraq continue to escalate, while Saudi Arabia and other OPEC members have intervened in Yemen. These conflicts, along with the ongoing civil war in Libya, continue to destabilize the region, making the global geopolitical outlook increasingly volatile.

This makes it critical for investors allocate a portion of their investment portfolio to safe haven assets, with the most widely recognized being gold.

Second, the global economic outlook remains volatile.

The U.S. economy has performed strongly in recent months, but this doesn't make it immune to the ongoing problems being experienced by China and in the Eurozone.

Furthermore, the oil rout, in conjunction with steep declines in the prices of other commodities, has the potential to derail economic growth in emerging economies. This is because many are dependent upon commodities as key exports that are a means of generating much-needed hard currency.

Even with the U.S. economy performing well, it is difficult to see how it alone can sustain global economic growth. This highlights the threats that growing macro-economic volatility pose to the global economy and the need hedge against this volatility.

Finally, over the last year gold miners have been pummeled by the market.

The **NYSE ARCA Gold Bugs Index** (NYSE:HUI)—an equal dollar-weighted index of the largest-listed gold miners—has plunged by 27% over that period. This makes many gold miners look attractively priced, thus making them a solid leveraged play on a recovery in gold prices as investors increase their exposure in order to hedge against growing uncertainty.

However, it is only worth considering those miners that have quality mining assets, low operating costs, and solid balance sheets. While **Goldcorp Inc.** qualifies on all three counts and is a long-time favourite, I believe that some of the smaller miners offer better upside.

A solid balance sheet, consistently low all-in-sustaining costs (AISCs) and growing production from a portfolio of quality gold assets make **Yamana Gold Inc.** (TSX:YRI)(NYSE:AUY) a solid contender.

Another with solid potential is **B2Gold Corp.** (TSX:BTO)(NYSE:BTG). It remains attractively priced though the market fails to pick up on its strengths. These include forecasting that it will achieve another year of record production for 2015, with its Otjikoto mine in Namibia having commenced commercial production last month. This low-cost mine will also reduce B2Gold's AISCs, which will boost its margins and profitability.

So what?

Both miners offer the opportunity to not only weatherproof your portfolio against the impact of growing geopolitical and economic uncertainty, but also to profit from any rally in gold. This makes them both solid long-term plays for any portfolio.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:BTO (B2Gold Corp.)
3. TSX:YRI (Yamana Gold)

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