



Gold Investors: 5 Top Mining Stocks Under \$5

Description

Over the next couple of years, you could make triple-digit gains in one of the world's most beaten-down commodities: gold.

No, it won't happen overnight. But behind the scenes, some of the world's smartest money managers have been quietly building positions in precious metals. And as I'm about to show you, a bull market in gold and silver is almost inevitable.

Let me explain...

Is gold about to hit \$1,750 per ounce?

If you want to know how bad things are in the mining industry, all you need to do is look at the **Market Vectors Gold Miners ETF**.

The GDX, which holds a basket of most major gold producers, is down 70% from its highs in September 2011. Smaller names have fared even worse, with the **Market Vectors Junior Gold Miners ETF** off nearly 85% during the same period.

Needless to say, there's not much optimism left. After all, why stick with an industry that's getting crushed while the rest of the market is soaring?

[goldstocks](#) or type unknown

Source: *Yahoo! Finance*

Here's the problem: gold prices are so low, producers are losing money on almost every ounce of metal they haul out of the ground. In the industry today it costs about US\$1,750 to mine one ounce of gold. However, miners can only earn US\$1,200 at current spot prices.

You don't need an MBA to see the issue here, but that's exactly why the current situation won't last. Junior producers are going bust. Large miners are dialing back operations. At some point, rates must

rise to meet the cost of production—that's nearly 50% over today's level.

Wall Street insiders are buying gold. Should you buy, too?

We could be at the beginning of a big rally in precious metals. Inventories are already beginning to tighten and gold prices are surging, up 7% since mid-March.

In preparation for a rally, hedge funds are backing up the truck on gold mining stocks. The chart below includes the top five most popular companies amongst Wall Street money managers.

Name	Stock Price	Market Cap
Yamana Gold Inc.	\$4.68	\$3.50 billion
Kinross Gold Corporation	\$2.95	\$3.37 billion
B2Gold Corp.	\$2.16	\$1.63 billion
NovaGold Resources Inc.	\$4.98	\$1.43 billion
Sandstorm Gold Ltd	\$4.15	\$0.50 billion

Source: Yahoo! Finance

Shares of **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) have been the most sought after by hedge funds. Over the past few quarters, value investing legend Phill Gross has accumulated a US\$41 million position in the miner. Other money managers, including Ken Griffin, John Thiessen, and Israel Englander, initiated or increased the size of their stake in the company last quarter.

SEC filings revealed a sharp uptick of hedge fund activity in a number of other resource names, too. Last quarter, gold miners like **B2Gold Corp.** ([TSX:BTO](#)), **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)), and **NovaGold Resources Inc.** ([TSX:NG](#))([NYSE:NG](#)) have been popular.

Finally, shares of royalty companies like **Sandstorm Gold Ltd.** ([TSX:SSL](#))([NYSE:SAND](#)) are also in demand. These firms are unique because they don't actually operate any mines themselves. Rather, they finance new projects and earn royalties on future output.

What could have these money mavens so excited? I'd say it could mean only one thing: they see a big bull market coming for gold.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:KGC (Kinross Gold Corporation)
3. NYSEMKT:NG (NovaGold Resources Inc.)
4. TSX:BTO (B2Gold Corp.)
5. TSX:K (Kinross Gold Corporation)

6. TSX:NG (NovaGold Resources Inc.)
7. TSX:SSL (Sandstorm Gold Ltd.)
8. TSX:YRI (Yamana Gold)

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