How You Can Participate in the Surging Gold Price

Description

This year has not been a kind one for investors, but there has been one notable exception: gold has performed remarkably well. We'll take a look at why and show some different ways you can participate.

Why gold has surged

There are two main reasons why gold has surged so much in 2016. First of all, the U.S. Federal Reserve has indicated that interest rate hikes won't happen as quickly as previously thought. This has made gold (which, of course, doesn't pay interest) a more attractive investment by comparison. The Fed's shift has also weakened the U.S. dollar–another positive for the gold price.

Secondly, the fear that has gripped equity markets has prompted investors to shift more into gold. All of a sudden, gold is more attractive than at any time in the last three years.

There's an argument that this is just the beginning of a new surge in the gold price. After all, there are signs that China will continue to struggle, and this would have a serious effect on the global economy.

Some safer ways to bet on gold

The simplest way to invest on gold is through an exchange-traded fund. For example, you could go with the **iShares Gold Bullion ETF** (TSX:CGL) or **Horizons COMEX® Gold ETF** (TSX:HUG).

But gold mining stocks are also fairly cheap these days, and there are some miners that don't come with significant operational risks. One example is **Agnico Eagle Mines Ltd.** (TSX:AEM)(NYSE:AEM), whose producing assets are all in stable countries. The company also has a strong operating history as well as a stable dividend.

A third option is to go with a royalty company like **Franco-Nevada Corporation** (TSX:FNV)(NYSE:FNV). These types of companies come with higher price tags, but they don't come with the same operational risks and their historical returns have been strong.

Some riskier ways to bet on gold

If you're really looking to bet on the price of gold, then there are riskier ways to do so. The first option that comes to mind is **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX). The company has made significant progress deleveraging, but still has a lot of debt on its balance sheet. This makes the company's stock especially sensitive to gold prices.

Other options include **Kinross Gold Corporation** (TSX:K)(NYSE:KGC) and **Yamana Gold Inc.** (TSX:YRI)(NYSE:AUY), both of which have run into problems in recent years. So if you do buy any of these stocks, make sure they aren't big bets, and you'll still get plenty of leverage to gold.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:AUY (Yamana Gold)
3. NYSE:B (Barrick Mining)
4. NYSE:FNV (Franco-Nevada)
5. NYSE:KGC (Kinross Gold Corporation)
6. TSX:ABX (Barrick Mining)
7. TSX:AEM (Agnico Eagle Mines Limited)
8. TSX:FNV (Franco-Nevada)
9. TSX:K (Kinross Gold Corporation)
10. TSX:YRI (Yamana Gold)

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/08/26
Date Created
2016/02/12
Author
bensinclair