



Stocks to Buy as a North Korea Crisis Flares Up

Description

Investors are wondering if this is the right time to buy some oversold stocks in a flight to safety following North Korea's firing of missile over Japan.

There is doubt that North Korea's fresh missile launch, which landed in the Pacific Ocean about 1,200 kilometres east of Japan's northern island of Hokkaido, has introduced a serious geopolitical risk in the markets.

North Korea, through this latest missile launch, has responded to President Trump's earlier threat of "fire and fury" with defiance, showing to the world that there is no immediate political solution to this crisis.

In reaction to this escalation, stocks slumped around the world as investors took shelter in safe-haven assets, taking gold to the highest level this year.

As I had advised in an [earlier column](#), it's important to balance your portfolio against geopolitical risks and disasters by including some gold and recession-proof stocks.

It's hard to predict how this standoff between North Korea and the U.S. will play out, but one thing is clear: this threat has started to hurt many great stocks. I don't think long-term investors should be in the market for bargain hunting at a time when we don't know how ugly this whole situation might turn.

However, if you don't have some exposure to gold and gold-related stocks, I would advise you to consider adding some quality names to your portfolio.

Buying gold stocks to add safety

I like **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Goldcorp Inc.** (TSX:G)(NYSE:GG) among the Canadian names. Both have the great potential to provide capital gains in the case of heightened geopolitical tension and uncertainty.

Barrick Gold stock has rallied ~15% during the past month, and it's likely to continue its upward journey

as the North Korean threat prolongs.

Barrick Gold stock is also a good candidate for your dividend-heavy portfolio. The company's next move is likely to be an increase in its dividend after its successful drive to cut costs and reduce its debt levels.

The story of Goldcorp, one of the the largest gold producers, isn't as encouraging when you look at its share price, which has lost a quarter of its value since mid-February.

But despite this dismal performance this year, I think the company is progressing well in its turnaround strategy, and the stock seems to be in the oversold territory.

The ongoing bullish trend in gold prices and Goldcorp's attractive valuations provide a good recipe for future gains.

Bottom line

It's very tough to predict war, and reallocating your portfolio in the face of a geopolitical risk can be expensive and put your long-term investment plan at risk.

However, this recent escalation in North Korea-related threat has reminded us that diversification is a great tool to guard against a particular risk. If you don't have some element of safety and diversification in your portfolio, this is a good time to add it.

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