



## Is it Time to Back Up the Truck on Gold Stocks?

### Description

With a clear focus on [higher oil prices](#), many investors have turned the other cheek on the shiny commodity: gold. At a current price of approximately US\$1,250 per ounce, gold has experienced a substantial decline from a September high in excess of US\$1,350 per ounce. The commodity, which started the year at a price of less than US\$1,200 per ounce, has still experienced a positive return for the year to date, but it has remained on a downtrend since the beginning of September.

Coinciding with investors taking their money out of the “safety” of gold has been the rise of a number of [virtual currencies](#), which include Bitcoin, among many others. Essentially, investors are leaving the insurance of gold, opting instead for Bitcoin to hedge the overall stock market. What investors need to be leery of is what will happen to Bitcoin during a general stock market pullback. As of yet, the beta of each virtual currency has yet to be widely considered in the market.

For investors who believe that a major pullback in the virtual currency space is imminent, there are a number of ways to position themselves to enjoy the upside that will be provided once the gold bulls wake up and go for a run. The best possible option may be in shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG). At a price close to \$15.50 per share, Goldcorp is now trading at a discount to its tangible book value. Essentially, investors are paying less than what the company is worth, and they will be able to benefit from the increase in overall gold prices in addition to the daily operations of the company.

For the first three quarters of the 2017 fiscal year, the company reported net profits of US\$416 million and cash flows from operations (CFO) of US\$700 million. With a dividend that costs the company no more than US\$46 million, investors who were previously receiving a “token” yield are now being offered a yield approaching 0.75% and is worth considering as part of the overall investment return. As of the end of the third quarter, there was close to US\$200 million of cash available to shareholders on the balance sheet.

For those seeking a more diversified approach, shares of **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) are currently trading at approximately \$17.50 per share, as the miner continues to put its past challenges in the past. The dividend yield, which is slightly higher than Goldcorp’s, represents less

than 5% of net profits through the first three quarters of this fiscal year.

With many investors considering virtual currencies as an alternative to gold, those who do not believe that “this time will be different” may need to take a good look at Canada’s gold miners. Happy hedging!

## CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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