



Could Stock Market Volatility Drive up Gold Stocks?

Description

The S&P/TSX Index fell over 270 points on Monday, February 5. The TSX has now dropped 5.4% in 2018, which comes close to wiping out the entirety of its 2017 gains.

The news was worse in the United States. The Dow Jones Industrial Average plunged 1,175 points on Monday, the largest single-day decline in the history of the index. The S&P 500 and the NASDAQ declined 4.1% and 3.7%, respectively. The Cboe Volatility Index, which tracks market turbulence, surged 84% on the day and is now up 238% in 2018. This represented the largest single-day spike on record for the so-called fear gauge.

The broad sell-off was precipitated by an increase in interest rates on bond markets, which saw the U.S. 10-year Treasury note rise to 2.85%. This represented its highest level since 2014. The rise in bond markets was also a response to the 2.9% rise in U.S. wages, the largest such increase since 2009. These developments have stoked fears in financial markets that rising interest rates and the end of loose monetary policy could spark a steep drop in asset valuations.

The spot price of gold and silver inched up marginally on the day. Bitcoin and other cryptocurrencies, which seemed to [challenge precious metals](#) as a digital alternative safe haven in 2017, continued to plunge into the evening hours. Bitcoin is now down 60% from its all-time high reached in December.

A weakening U.S. dollar has kept gold above \$1,300 in 2018 in spite of an [improving global economic picture](#) and a calming of geopolitical tensions on the Korean Peninsula. However, continued volatility could generate interest in the yellow metal and in silver as we press forward into 2018. Let's take a look at two gold equities to target in the midst of the stock market turbulence.

Alamos Gold Inc. ([TSX:AGI](#))([NYSE:AGI](#)) stock has dropped 13.1% in 2018 in spite of strength in the spot price of gold. Alamos Gold reported its 2017 fourth-quarter production and gave its 2018 outlook on January 11.

Alamos Gold posted record annual gold production of 429,400 ounces in 2017, representing a 10% rise from 2016. All-in sustaining costs are not final but are expected to meet full-year guidance — down 7% from the previous year. Alamos Gold also reported record sales in the fourth quarter of 126,786

ounces of gold at an average price of \$1,275 per ounce for revenues of \$162 million. The company has projected a 16% jump in its production guidance for 2018.

B2Gold Corp. ([TSX:BTO](#))(NYSE:BTG) rose 1.64% on February 5. Shares have declined 4.3% in 2018. The company reported its fourth-quarter and full-year gold production on January 11.

B2Gold reported record annual gold production of 630,565, which exceeded its guidance between 580,000 and 625,000 ounces. The company completed its Fekola mine construction in late September 2017, and Fekola produced 111,450 ounces of gold for the year due to the strong late season push. B2Gold also posted record revenue of \$739.5 million in 2017.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AGI (Alamos Gold Inc.)
2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:AGI (Alamos Gold Inc.)
4. TSX:BTO (B2Gold Corp.)

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