2 Gold Stocks to Act as Your Safe Haven

Description

While gold prices are off their highs of the year, the geopolitical climate remains fraught with tension and risk.

In the past, gold prices have followed the tried-and-tested pattern of being inversely related to the U.S. dollar, so if the dollar declined, gold went up; if the dollar strengthened, gold went down.

In late 2011, gold prices peaked at close to $1,900 per ounce, as the U.S. dollar fell dramatically at the dawn of the new century. But as the U.S. dollar strengthened after that time, gold has been on a downfall and is now hovering at the $1,300 per ounce level.

And while interest rates on the rise means the U.S. dollar should also be rising, which not good for gold prices, what if something else will move gold?

What if escalating geopolitical tensions overshadow this pattern? And what if years of exploration underinvestment in the gold industry as a result of lower gold prices increasingly affects the supply side of the equation, thereby stimulating the price?

Lastly, what if investors are becoming more risk averse after years of great stock market performance and rewards for risk-taking behaviour?

In this case, we should review some of the gold stocks that might be breaking out sooner than we think.

Agnico Eagle Mines Ltd. (TSX:AEM)(NYSE:AEM)

Agnico is a great place to start. Trading at $56, the stock price has come a long way from January 2016 levels of under $40, but it has pretty much flat-lined in the last year.

Historically, the company has been a consistent top performer, with solid operational performance and an industry-leading cost structure, which has driven consistently better-than-expected results.

On the risk side, Agnico has the lowest political risk profile of its peer group, with gold mines in politically safe areas such as northwestern Quebec, northern Mexico, Finland, and Nunavut, and exploration activities in Canada, Europe, Latin America, and the United States.

After the company reported third-quarter 2017 results that were well above expectations (EPS of $0.29 versus expectations of $0.16), the dividend and guidance were once again increased.

The fourth quarter also came in above expectations, but costs were seen rising.

First-quarter 2018 results were released yesterday, coming in below expectations, with costs slightly higher than expected, although, importantly, the company’s guidance was reaffirmed.

And 2019 will see a big uptick in production, as two new mines start production during the year.

OceanaGold Corp. (TSX:OCG), a higher-risk gold stock, is another option for investors looking for the higher risk/reward trade-off.

First-quarter results from Oceana were slightly better than expectations, with a 21% increase in revenue and with production ramping up at the new mines, costs are expected to decrease as the year progresses.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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