



Conservative Investors: Don't Miss Out on This "Golden" Opportunity!

Description

In early 2017, I posted to Foolish investors that **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) could turn out to be a [better long-term investment](#) than **Goldcorp Inc.** (TSX:G)(NYSE:GG). While it appears that Barrick has turned out, at least over the past couple years, to be the *better* play, it is still off approximately 30% over this time frame compared to a 40% drop at Goldcorp.

The drop in commodity prices has continued, and though some at the Motley Fool (myself included) that commodities will experience a reversion toward a longer-term mean (I can only characterize precious metals prices as depressed relative to intrinsic value at this point), the reality is that the longest bull market in history rages on, and the U.S. dollar remains strong.

If the last recession was any indication (and I believe a many lessons can be learned from our recent experience less than ten years ago), U.S. dollar devaluation combined with a "flight to safety" could indeed present a golden opportunity for investors. Predicting exactly when such a significant correction will take place, however, is the difficult part.

For an investor who put their faith in either gold producer two years ago, experiencing a -30% or -40% return in such a short amount of time might be simply enough to walk away from holding any precious-metals related outfits (and rightfully so).

What I would argue, however, is that the same pressures these investments provide on returns during a bull market are offset nicely by the gains such companies can provide in dark times, meaning investors who are willing to keep a portion of their portfolio (say, 5% or so) in precious metals or producers of precious metals could outperform in the years to come.

Bottom line

This 30-40% two-year drop in the price of world-class mining companies Barrick and Goldcorp should be taken by conservative investors as a buying opportunity for those who have no exposure to equity hedges at this point.

With continued consolidation expected in the mining industry ([Barrick's recent acquisition of Randgold](#)

should propel more deals in the near future), and the value of gold stagnating in recent years, a series of headwinds could propel these companies substantially higher in a worst-case scenario.

It's better to be prepared than wonder what happened when a bear arrives. Companies like Barrick and Goldcorp provide excellent negative correlation to major indices, just what conservative investors looking to stay in the game through a recession will want.

Stay Foolish, my friends.

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