How to Invest Like an Emerging Economy: Buy Gold

Description

With boosted production in lithium and copper set to water down prices (the latter resource will see an extra millions tons hit the market through 2023), gold remains the metal to get into. Add to this China's current hunger for gold, which is currently helping prop up shares in the yellow stuff and it would appear that the mining industry still has a favourite commodity.

Let's see what's going on with some of the gold stocks on the TSX index at the moment.

Barrick Gold (TSX:ABX)(NYSE:GOLD)

Returning 11.4% on the year, Barrick Gold is selling at just over double its book value at writing and looking at a 60% expected growth in earnings over the next one to three years. A tough year in terms of earnings is cushioned somewhat by a positive five-year average past growth of 56.6%, making for an overall positive track record.

Barrick Gold's level of debt to net worth has been reduced over the last five years from 81.7% to the current 61.1%, making for an adequate balance sheet. In terms of insider confidence, Barrick Gold insiders have picked up more shares than it sold in the past three months, while the past year has seen significant inside buying.

Wesdome Gold Mines (TSX:WDO)

While the incline has not been steep, this stock has been climbing since this time last year, which is no mean feat. It may not offer a dividend like the previous stock (see Barrick Gold's dividend yield of 1.19%), though Wesdome Gold Mine's one-year returns of 130.3% easily beat the market as well as its own industry.

Indeed, Wesdome Gold Mine’s one-year past earnings growth of 1054.5% puts this stock way ahead in terms of recent performance, eclipsing its own five-year average past earnings growth of 26.2%. Meanwhile, a superior balance sheet is indicated by a low comparative debt level of 6.2% of net worth.

Though value for money may not be Wesdome Gold Mine’s strong suit (see a P/E of 41.9 times earnings and P/B of 4 times book), a 44.6% expected annual growth in earnings makes this stock suitable for a growth investor.

Goldcorp (TSX:G)(NYSE:GG)

Up 2.35% in the last five days at the time of writing, and 90-day returns of 20.6%, Goldcorp has some seen upward momentum, though this could increase as bullishness in gold increases and demand drives up prices. Trading at book and with a discount of 27% off the future cash flow value, this is a good quality stock available at a good price.

Goldcorp’s five-year average earnings growth of 23.8% is positive, while a debt level of 31.4% to net worth shows an adequate balance sheet. While Goldcorp insiders have sold more shares than they have bought in the past three months, and by a significant amount, a dividend yield of 0.68% and 121.8% expected annual growth in earnings make this stock a moderately strong buy right now.

The bottom line

With China growing its gold reserves for the fourth month in a row, it would seem that this precious metal is still the go-to resource in terms of wealth security. Central banks around the world may be following suit, too, thereby adding to reserves to bolster their stability. The stocks above are among the best ones for Canadians to invest in to increase exposure, and likewise add some classically defensive qualities to a TSX index portfolio.

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