



2 Gold Stocks That Could Double

Description

Gold is enjoying a resurgence after a multi-year slump. This has investors wondering if the rally is for real and, if so, which gold stocks might be attractive picks for additional gains.

Gold momentum

In order to determine if gold stocks deserve to be on your [buy list](#) today, we need to try to figure out if the gold recovery has legs.

Gold recently hit a six-year high of US\$1,450 per ounce. At the time of writing, it sits at US\$1,425 compared to US\$1,200 last fall. The surge has come as a result of lowered expectations for interest rate increases in the United States and, to a lesser extent, safe-haven demand.

The U.S. Federal Reserve has gone from planning three rate hikes in 2019 to likely cutting rates at least once before the end of the year. This has reversed the mood in the gold market and driven the price higher. If the Fed cuts rates more aggressively than expected in the coming months and signals it will make additional cuts through 2020, gold should extend its gains. In fact, some analysts are calling for a jump to US\$1,600.

On the fear side, gold's appeal as a safe place to hide money during uncertainty might be gaining more popularity. The market had become relatively non-responsive to geopolitical threats, but the sheer number of potential disruptions in the global market today might be more than traders can handle.

Trade wars, Brexit uncertainty, tensions in the Middle East, protests in Hong Kong, and even Italy's shaky finances all have the ability to tip the apple cart. If one of these situations really goes off the rails, gold could catch an additional tailwind.

Are gold stocks a buy?

The share prices of gold miners tend to move more than the price of gold. The industry took such a

beating over the past seven years that many of the stocks still trade far below their previous highs. The sector has turned in some nice gains in the past two months, but much larger moves could be on the way.

Investors who want to own the big players should consider **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD). The stock is up from \$13 last August to \$22.50 but remains well short of the \$50 it hit when gold was US\$1,900. The company is in much stronger financial shape after a successful turnaround, and the recent merger with Randgold Resources puts it in a prime position to take advantage of rising prices. Barrick Gold raised its [dividend](#) last year and has the potential to generate significant free cash flow. As such, a run to \$45 per share wouldn't be a surprise.

Those who want to play a smaller miner might want to look at **Detour Gold** (TSX:DGC). The company owns a large deposit in Canada and has experienced some growing pains in its efforts to get the mine up and running efficiently. The share price has bounced from \$11.50 in April to about \$20. Three years ago, Detour Gold traded for \$34 when gold was US\$1,360, so the stock has some catching up to do, and any chatter of a potential takeover by one of the larger players could nudge it up to \$40.

The bottom line

Gold can be volatile, and the recent rally might turn out to be yet another head fake. However, the momentum is building, and the factors needed to sustain the upward move appear to be in place. If the trickle of funds shifting back into gold becomes a flood, investors could see more big gains in the coming months.

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