



2 TSX Stocks That Could Benefit From a Gold Rally

Description

If you're worried about a recession, now might not be a good time to look at the price of gold. The commodity, which tends to rise when the economy is weak, is up about 15% this year (it's currently at \$1502 as of this writing).

Although there are no reliable signs of a North American recession just yet, many signs point to one coming in the future. One of the big signs would be inverted yield curves; the current strength in gold could potentially be another.

Of course, a rising price of gold doesn't necessarily mean that a recession is coming. But if the commodity is doing well either way, then I believe it can't hurt to get some in your portfolio. The following two stocks stand to benefit from continued strength in gold — and could do particularly well in the event of a recession.

Barrick Gold Corp

Barrick Gold Corp (TSX:ABC)(NYSE:GOLD) is the largest gold mining company in the world. In 2016, it produced 5.52 million ounces of gold and had 85.9 million ounces in proven reserves. The company also mines copper.

As a gold mining and marketing company, Barrick stands to benefit from a rise in the price of gold. The higher gold goes, the more revenue the company generates, and the higher its profit margins (all other things the same). Barrick has [historically struggled with debt](#), but has trimmed down after recent restructuring.

In its most recent quarter, Barrick mined 1.353 million ounces of gold, delivered \$0.09 in earnings per share, and maintained its quarterly dividend of \$0.04. The company's total gold output was slightly less than in the prior quarter, when it mined 1.367 million ounces, but the price of gold was higher in the more recent one.

Kirkland Lake Gold Ltd

Kirkland Lake Gold Ltd (TSX:KL) is a mining company that extracts gold in Canada and Australia. The company is [targeting 950,000 to 1 million ounces of gold mined](#) for 2019.

Kirkland Lake has done extremely well since it went public just a few years ago, with its stock up over 2,000% since it started trading on the TSX index.

Like Barrick, Kirkland stands to earn more revenue when gold is strong. And if the company's latest results are any indication, that's exactly what's happening. In its most recent quarter, Kirkland earned \$104 million, up 69% from the same quarter a year before. Revenue was \$281 million, up 31% from the same quarter a year before. Operating cash flow increased 52%, although free cash flow declined slightly. For the entire year-to-date, earnings were up 92% from the same period a year before.

These are pretty incredible results, and if gold remains strong, then there's no reason they can't continue. Particularly encouraging is the fact that Kirkland continues to invest heavily in exploration, having spent \$48 million on growth projects in Q2. If the company's new initiatives do anywhere near as well as its existing operations, then we can expect more good news in the future.

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