2 of the Top Gold Stocks to Buy Heading Into the New Year

Description

Gold looks like it has finally found a new bottom and these levels near $1,500 look like the new normal for now.

The economy has been better than expected in the second half of 2019, and with inflation still below 2% in both Canada and the United States, below the target set by both countries' respective central banks, it's somewhat telling that gold has bottomed at these new higher prices.

The demand for gold has stayed strong, as investors are wary of what lies just around the corner.

If you missed the gold rush earlier this year, then you're in luck, as most gold stocks have come off their highs and are offering investors a decent entry point ahead of whatever market turmoil is going to come next.

Two stocks to consider if you need some gold exposure in your portfolio is **Kinross Gold Corp** (TSX:K)(NYSE:KGC) and **Yamana Gold Inc** (TSX:YRI)(NYSE:AUY).

Kinross

Kinross reported earnings a few weeks ago, and one of the first things investors will notice is the increase to sales as a result of higher gold prices, which saw a 21% increase in the average realised price year-over-year.

Kinross, however, has also had a strong year from an operating perspective. In the first nine months of the year, it got more than 60% of its production from its top three mines located in Russia, Mauritania and Brazil.

Gold equivalent production from those three mines equated to more than one million ounces at an average cost of sales of just $619 per ounce.

The company saw its cost of sales decrease by $42 an ounce year over year; coupled with the major increase to gold prices, this helped Kinross increase its margins by a whopping 70%.

So far this year it's on track to meet its guidance figures; some of the cost numbers such as production costs and all-in sustaining costs have actually been coming in significantly below guidance.

This is a huge positive for Kinross, as it gets a boost not only from the increase to gold prices, but also through its strong execution and cost management.

This resulted in Kinross reporting more than twice as much adjusted operating cash flow as it did in the same quarter last year.

Yamana

Yamana is the other gold miner to consider. It has mining operations in Canada, Brazil, Chile and Argentina that's fairly evenly split among those four countries. Roughly 85% of its revenue comes from gold and the other 15% comes from the sale of silver.

It's a high-quality gold producer that will do more than 1 million ounces of gold equivalent production this year.

Yamana also just announced this week that it discovered a high-grade zone in its Argentina mine, which will obviously help to boost its production and reduce its production costs in the region.

In its third quarter earnings, it reported production of roughly 240,000 gold equivalent ounces at all-in sustaining costs slightly above $1,000.

This led the company to report earnings for the quarter of just over $200 million compared to a loss in the same quarter last year.

Its cash from operating activities also grew substantially, with an increase of more than 100% from the third quarter in 2018.

It also reduced its net debt in the quarter by more than $800 million, which left Yamana with free cash flow of nearly $30 million before paying the dividend.

It has paid a dividend for 13 straight years and even increased it by 100% this year. Today, the dividend today yields roughly 1.1%, which is fairly significant for a gold company that still offers huge upside exposure to the price of gold.

Bottom line

There are number of high-quality gold producers to choose from, but Yamana and Kinross are two of the best, offering investors solid operation stability and strong leverage to the price of gold.

CATEGORY

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2. Metals and Mining Stocks

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3. TSX:K (Kinross Gold Corporation)
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