



## TFSA Investors: Buy This Stock to Protect Your Portfolio During a Bear Market

### Description

The majority of investors and economists believe that an economic slowdown lies right around the corner. Despite global markets reaching all-time highs, numerous economic signals point to trouble ahead and a peaking economy.

In both Canada and the United States, interest rates were kept at historically low rates for far longer than what would have ever been considered normal, in order to spark higher economic growth rates. This was especially worse in the United States.

Now, with economic factors such as full employment, slower growth and both the Federal Reserve and Bank of Canada considering cutting rates rather than raising them, it's clear both economies have peaked.

One asset class that you can gain some exposure to as a hedge against a peaking economy is the precious metal of gold.

Taking a small portion of your portfolio and buying up a [gold miner](#) to give you exposure and leverage to the underlying price of the precious metal is a prudent move, especially when it's clear the economy is starting to slow.

As the stocks are leveraged to the price of the metal, which makes the stocks highly volatile, you only need to allocate a small portion of your portfolio to gain the exposure you need.

It's the go-to safe haven currency that will protect your portfolio against inflation and will increase in price as panic spreads across financial markets.

If you're searching for a gold stock to add, the best stock to consider at the moment is **Equinox Gold Corp** ([TSX:EQX](#)).

In the third quarter of 2019, many producers saw the first full quarter with a significantly higher realized selling price for their gold after the metal's large jump in the summer months.

While many producers took advantage of the increased prices, none capitalized more than Equinox.

It's still a relatively new company that just began production in 2018, but already it's posting solid returns.

In the third quarter, the company sold more than 62,000 ounces at an average realized price of an impressive \$1,473, resulting in revenue of nearly \$92 million. On that revenue, the company was able to generate an operating margin of roughly 29% and a profit margin of nearly 9%.

Equinox reported earnings per share of \$0.07 in the third quarter; if you annualize that and take the price to earnings ratio, as of Monday's close, the stock was trading just below 28 times, one of the cheaper valuations in the industry.

Calculating a number of its peers the same way, it's clear that Equinox is undervalued. Plus, it's still in the growth stage, so you can expect to see a significant increase in the gold it's producing over the coming years.

This year it will do approximately 200,000 ounces in production but have a run-rate at the end of the year of more than 250,000 ounces of annual production.

When Equinox's third mine, the Castle Mountain mine in California comes online in 2020, it should add another roughly 50,000 ounces of production initially to the company's annual run rate, bringing it closer to 300,000 ounces for the first couple years.

Equinox, however, has big plans to grow this production, and estimates it can get to one million ounces of annual production by 2023.

In the long run, gold will always appreciate, especially as we print more and more money. Thus, as long as you find gold miners that are well run and can grow over the long term, you can't go wrong owning gold.

Buying individual gold miners can be extremely risky, however, so it's recommended that you diversify to other producers as well to mitigate some risk.

The last thing you want is to buy the stock for defense and have it be one of your worst performers because of some unforeseen risk.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. TSX:EQX (Equinox Gold Corp.)

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