Why Buying Gold Stocks for Brexit Is a Win-Win

Description

Christmas came early for TSX investors this year, with the “phase one” trade deal between the U.S. and China corresponding with a big win for Boris Johnson’s Conservative Party. At the same time, the USMCA agreement added some festive cheer, and plans for a rejigged retail environment buoyed cannabis stocks. Crude was up, and the TSX ended the week higher.

A big win for Brexit could cut both ways

Dovetailing with China bullishness, markets responded well after the U.K. went to the polls Thursday night in what was effectively a second referendum on Brexit. If Jeremy Corbyn had won, an actual second referendum would likely have been held. In that scenario, the UK could potentially have put the breaks on Brexit. Johnson vowed to “Get Brexit done” by the end of January.

The result, as it happened, was an historic victory for Johnson, and the markets have reflected the end to some of the uncertainty surrounding Brexit. While potential for disruption post-divorce still abounds, investors can at least rest easy that a protracted and messy exit from the EU Is now hopefully a thing of the past.

The markets were bullish on Johnson, though, and held steady on the assumption that the Conservative Party would gain a clear majority. What investors did not want was uncertainty, and the uncertainty over Brexit had been a major stressor. Whatever anyone’s views on the European economic bloc and the UK’s divorce from it, increased certainty over Brexit should, in theory, be good for the markets.

However, while Brexiteers are still celebrating, investors may want to adopt a wait-and-see stance. The EU Is not without its own economic stressors, and fallout from the most profound change to the bloc since its inception could be correspondingly far-reaching. Coupled with weakening manufacturing and service industry data, the eurozone could face recession in 2020.

Bullish on Brexit? Go for gold

Gold is still a good all-rounder, as it performs two functions, post-divorce. For investors bullish on Britain, gold is a strategic play on trade strength, as it is one of the major themes in Anglo-Canadian trade. And should things not turn out so well, gold is classically defensive. In other words, an investment in a major miner such as **Barrick Gold** (TSX:ABX)(NYSE:GOLD) could be a win-win.

Barrick is a strong choice since it is currently divesting itself of underperforming non-core assets while pondering heavier copper exposure. This latter facet of a Barrick investment would add exposure to the electric vehicle boom, and is thereby a diversified play on the green economy, a major trend in global growth. Barrick is also a dividend stock, currently rewarding shareholders with a % yield.

The bottom line

Bullish on Boris and his version of Brexit? Buying gold stocks like Barrick could see upside from beefed up trade. Even if Brexit gets nothing done but chaos, investors in major gold miners will still find themselves holding classically defensive assets, and in Barrick's case some passive income as well.

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