



3 Undeniable Reasons Why You Should Invest in Gold Stocks in 2020

Description

We all remember a time when people considered buying gold bullion as the safest form of investment. Whether palladium, uranium, lithium, or copper, the shares of companies dealing in metals and rare earth minerals are generally soaring or at least staying strong.

Among all these metals and minerals, gold still holds the reins. Gold stocks could perform well this year for the following three reasons.

Interest rates are low

It has been a tradition that changing federal fund rates by the U.S. affects the gold price that eventually picks at stock prices of mining companies. Usually, this change in interest rates and gold prices are in inverse relation, i.e., lower interest rates resulting in the higher gold price.

Gold is a commodity that doesn't provide any yield. So, when interest rates dip down, it also minimizes the opportunity cost of holding this precious metal. As a result, the market sees more gold transactions that always pans out well for miners and respective stocks.

Last year, the U.S. Federal Reserve cut the interest rates three times. As the end of the [US-China trade war](#) is not in near sight, the reduction in interest rates might continue this year and keep on providing gold and gold stocks a boost.

Gold provides a hedge against volatile markets

If we see the performance of last year, gold miners are putting a solid performance at the TSX and NYSE. If one analyzes the ongoing strategies of mining companies, it becomes evident that the success of gold stocks is not short-term. Let's take the example of **Newmont Goldcorp** ([TSX:NGT](#))([NYSE:NEM](#)).

To begin with, the company has started reaping benefits of the revenue synergy that happened due to

the merger of Newmont Mining and Goldcorp. It has led to the addition of high-quality assets to the company's portfolio and is continuously improving its bottom line.

Newmont Goldcorp is also streamlining its balance sheet and keeping the top line in check by getting rid of underperforming assets. Its stock has witnessed a gradual and steady growth of over 20% since the merger. With the right decision-making, Newmont Goldcorp stock will keep on growing this year.

Barrick Gold is also in recovery mode. The second-largest gold mining company in the country was facing a significant debt crisis two years ago. However, things are turning in its favour thanks to better asset management and stable gold prices.

Other [gold stocks](#) such as **Yamana Gold** and **Wesdome Gold Mines** are also on the right track.

A suitable replacement for cannabis stocks

Many investors are done with the cannabis rush. It's doubtful that cannabis stocks will see any drastic positive turnaround this year, however.

The lackluster performance of cannabis stocks can direct many investors to take a stake in gold, and the resultant growing demand means increased prices of gold stocks.

Summary

The low interest rates, recovering gold prices, and proper balance sheet management of mining companies make gold stocks a good investment for this year.

If you're seeking a good hedge and high-yielding investment in 2020, then gold stocks can be the right choice.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NEM (Newmont Mining Corporation)
2. TSX:NGT (Newmont Mining Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

Date

2025/08/26

Date Created

2020/01/14

Author

jhoang

default watermark

default watermark