



2 Reasons Gold Stocks Are a Good Hedge for a Market Crash

Description

Gold is a classically defensive asset. Historically, whenever the markets have crashed, or there are rising uncertainties on a global scale, the value of gold increases by a significant margin against the decreasing value of everything else. In the fall of 2019, the trajectory of gold started going upwards. Just after the first week of 2020, the spot price of gold shot over the \$1,550 mark.

I am going to tell you why there might be a reason that you should reevaluate your portfolio as soon as possible. I will also discuss **Barrick Gold Corp** ([TSX:ABX](#))(NYSE:GOLD) stock and why you should consider investing in them to protect your financial situation in the coming years.

Slowing global economic growth

It's no secret that the growth of the global economy is slowing down right now. The **TSX Index** has enjoyed a phenomenal year and hit record-breaking numbers in 2019. It's part of the economic cycle. When the cycle gyrates, a decline is also bound to take place.

The United States and China trade war has the possibility of coming to an end with a limited trade agreement. Still, it has affected the global economy by a significant margin.

The growth in the U.S. slowed down after the boom generated by the *U.S. Tax Cuts and Jobs Act*. Eurozone [growth also declined](#) drastically last year. The growth of two rising global economies, China and India, also slowed down last year.

Rising tensions in the Middle East

The most pertinent cause of the rise in gold prices has been the increase in tensions in the Middle East. The United States and Iran are at odds right now. Relations between the two countries have been sour since 2016, when the nuclear deal struck in late 2015 fell through in 2016. Additional sanctions by the U.S. on Iran also amplified problems.

The real tipping point for the gold price surge has come from the drone strike by the U.S. in Iraq just over a week ago that killed a top Iranian general, Qassem Soleimani. Iran's retaliation with a bombing of two U.S. bases in Iraq using 22 ballistic missiles has exhibited that the Middle Eastern country will not take the situation lightly. The rising global tensions can be devastating for the economic situation.

A gold stock to consider

To prop up the local economies, countries are busy cutting down their [interest rates](#). It could lead to a spiral of currency devaluation with the onset of a recession. These are the kind of conditions perfect for the value of commodities like gold to soar.

Barrick is trading for \$23.20 at writing. That is above the 12 months low for the gold stock, but the stock seems likely to climb further with the value of gold increasing. Barrick Gold stands to generate a substantial amount of cash flow if the price of gold keeps rising.

At the current price, gold still seems undervalued. As the gold industry rallies, so will the price of Barrick, and it could climb up to more than \$30 per share.

Foolish takeaway

The stock was trading at \$50 per share nine years ago when the price of gold was US\$1,900 per ounce. There is massive potential for gold prices to hike up in the current global situation.

If you are a long-term gold bull, consider adding Barrick Gold's stock to your Tax-Free Savings Account.

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