



## Now Is the Time to Boost Your Exposure to Gold

### Description

Gold continues to hover around US\$1,550 per ounce as economic and geopolitical tensions weigh on stocks while triggering considerable jitters among investors, which sees them bolstering their exposure to safe haven assets.

The yellow metal remains the preferred safe haven investment in a world wracked by considerable uncertainty, with gold being an [ideal hedge](#) against economic and geopolitical risk.

### Higher gold

There is considerable speculation that gold will move higher in coming months because of Middle East tensions, economic uncertainty, ongoing ambiguity surrounding the U.S.-China trade war and indications that global growth could be weaker than anticipated.

Accommodating central bank monetary policy such as lower interest rates and a softer U.S. dollar will also support firmer gold.

While the global economic outlook is increasingly more upbeat, there are still indications that it may not be as strong as anticipated. The IMF predicted that world GDP will expand by 3.4% in 2020 and then 3.6% in 2021.

Most of that will come from emerging markers, notably China and India, although an uptick in growth is expected in parts of Latin America and Eastern Europe.

There are, however, fears of a slowdown among major developed economies because of weak manufacturing activity in the U.S., Germany, South Korea and Japan, which will be exacerbated by the U.S. China trade war if Trump persists with placing tariffs on imports and continues his adversarial approach to trade.

A big unknown with the potential to significantly boost gold are the tensions in the Middle East. While the potential for a full-blown conflict has eased considerably, Teheran will likely ratchet up diplomatic

pressure and the proxy war it is waging in the region against U.S. allies Saudi Arabia and Israel.

That could also include Iran harassing shipping in the crucial Straits of Hormuz, one of the world's most strategically important choke points, particularly for the transport of crude.

Iran's actions will keep tensions in the Middle East high during 2020 — and the emergence of even a minor regional crisis would likely cause gold to spike.

## Hedge against uncertainty

One of the best stocks to hedge against the considerable uncertainty that currently exists is precious metals streamer **Sandstorm Gold** ([TSX:SSL](#))([NYSE:SAND](#)). Sandstorm gained 50% over the last year compared to gold rising by just over 20 and is poised to deliver further value during 2020.

Its characteristics as a precious metals' streamer make it a far more appealing hedge against uncertainty than most gold miners, as streamers don't engage in hazardous mining activities. Rather, they provide financing to miners in exchange for receiving a royalty on the gold sold by a miner or the right to purchase the metal at a significant discount to the spot.

As a result, Sandstorm is not exposed to the operational risks associated with mining, making it less likely that its earnings will be impacted by production outages. It also means that Sandstorm has far lower production costs, making it more profitable than precious metals miners.

For the third quarter of 2019, the streamer reported a cash cost of US\$288 per gold ounce sold, highlighting its considerable profitability in an operating environment where gold is trading at over US\$1,550 an ounce.

That saw Sandstorm report record operating cash flow of over US\$14 million for the quarter and net income of US\$6 million, almost triple the US\$2.1 million reported a year earlier.

Sandstorm's earnings will continue to grow at a steady clip even if gold doesn't firm further. For 2020, the company expects production to expand by 8% year over year to 70,000 gold ounces and reach 140,000 ounces by 2023.

Combined with firmer gold and lower costs, that will boost cash flow and net income, giving Sandstorm's stock a healthy lift.

## Foolish takeaway

Due to its low costs and growing production, Sandstorm is a solid play on [firmer gold](#), making it an ideal hedge against the considerable economic and geopolitical uncertainty that currently exist globally.

The streamer will release some strong full-year results, which, along with higher production in 2020, will considerably boost earnings, making now the time to buy.

### CATEGORY

1. Investing

2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. TSX:SSL (Sandstorm Gold Ltd.)

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