



## Get Ready for Gold to Shine Again in 2020

### Description

Gold performed strongly in 2019, finishing the year up by just under 19% and trading at around US\$1,519 per ounce, although it still failed to beat the **S&P/TSX Composite Index**, which gained just over 19%.

A stronger U.S. dollar combined with many currencies softening against the dollar saw gold rise to record highs in many other major currencies except the Swiss Franc and dollar, which saw gold ranked as the third best-performing asset class after oil and stocks.

The yellow metal's strong performance was driven by growing uncertainty and heightened risk, including fears of further conflict in the Middle East, the emergence of a global recession and a full-blown trade war between the U.S. and China.

While many of those risks have diminished, there is still a heightened sense of fear permeating global financial markets, which will support higher gold.

The precious metal performed strongly in recent days, rallying to a multi-year high of over US\$1,571 per ounce before pulling back modestly because of profit-taking. There are indications that gold will rally higher over the course of 2020 and [break through](#) the US\$1,600 per ounce barrier for the first time since 2011.

That will be a boon for many gold miners, which have suffered because of gold's prolonged slump after prices collapsed in 2018 and bottomed at just over US\$1,000 an ounce in 2015.

### Heightened risk

Key drivers of higher gold are elevated geopolitical risk, notably in the Middle East, where tensions between Washington and Tehran recently reached boiling point coupled with fears of a global economic slump, particularly with the coronavirus outbreak worsening.

A significant increase in volatility coupled with near historically low interest rates a softer U.S. dollar will

unpin higher gold over the course of 2020.

While there are signs that the trade war between the world's two largest economies, the U.S. and China, has eased and could be resolved, the erratic nature of the Trump administration's policy-making means that it could flare up again at any moment. Trade tensions will impact global growth and could be enough to spark an economic downturn.

The coronavirus has further magnified fears of a global slowdown, with some analysts claiming that it could reduce China's 2020 GDP growth rate by up to 1.5%. That would impact already weak global manufacturing activity, commodity prices and stocks.

Higher volatility coupled with considerable uncertainty globally means that gold could easily spike on the back of further economic and geopolitical crises, giving gold miners a solid boost with one of the most attractive being **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

Over the last year, [the miner](#) soared by a market-beating 37% compared to gold's 20% and the **S&P/TSX Composite Index**'s 13%. There are indications that Kirkland Lake will deliver further value for shareholders during 2020.

Kirkland Lake recently reported record 2019 gold production of 974,615 ounces, which was 35% greater than a year earlier. The miner reported all-in sustaining costs (AISCs) of US\$584 per gold ounce mined, representing a 21% year-over-year decrease, some of the lowest in the industry.

That highlights Kirkland Lake's considerable profitability in the current operating environment, where gold is trading at over US\$1,570 an ounce.

The miner's gold output will continue to grow as it develops its Fosterville and Macassa mines. Kirkland Lake is also in the process of acquiring **Detour Gold**, which owns the Detour Lake Gold mine in Ontario Canada, which will significantly lift Kirkland Lake's production and hence earnings once closed.

The solid 2019 performance allowed Kirkland Lake to reward shareholders with a 50% increase to its quarterly dividend, which sees it paying an annual dividend of US\$0.24 per share, giving it a yield of just under 0.6%.

## Foolish takeaway

There is every indication that gold will soar higher because of substantial uncertainty surrounding the global economic outlook and heightened geopolitical tensions.

As one of the lowest cost producers in its industry and growing production, Kirkland Lake is ideally positioned to benefit significantly from firmer gold.

The miner is poised to deliver significant value for investors, including its regular dividend. As its performance improves, there's the likelihood of additional hikes to that payment.

## CATEGORY

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