



## 1 Top Gold Stock to Buy and Profit From Higher Gold Prices in 2020

### Description

Gold has rallied sharply since the start of 2020 gaining 2% to be trading at around US\$1,550 per ounce. There are signs that the yellow metal will make [further gains](#) during 2020, particularly as uncertainty grows and economic as well as geopolitical risks worsen.

### Rising fear

A key risk weighing on stocks and supporting gold is the coronavirus outbreak. This is because there are very real concerns that it could cause economic growth in China to slow significantly and potentially even trigger a worldwide economic downturn. The growing severity of the viral outbreak has effectively closed China to the world. It estimated that it could causes China's GDP growth rate to fall by up to 2%, which would not only have severe ramifications for the East Asia nation but also has the potential to trigger a global economic slump.

Fears of a recession reached fever pitch in 2019, and the coronavirus could be the negative catalyst required to tip the world economy into recession. When that is considered the wide range of risks that exist globally, including heightened tensions in the Middle East, weaker manufacturing activity in many major industrialized economies, and the likelihood of a market correction.

Any of those events have the potential to trigger a flight to safety among investors, thereby bolstering the price of gold and potentially pushing it above US\$1,600 per ounce. Not only does the growing uncertainty make it important to hedge against risk by adding gold to your portfolio, but higher prices will be a boon for precious metals miners.

### Hedge against uncertainty

One company that stands out for all the right reasons is precious metals streamer **Sandstorm Gold** ([TSX:SSL](#))([NYSE:SAND](#)). Unlike miners, it doesn't engage in hazardous and capital-intensive mining operations; instead, it provides financing to miners in exchange for a royalty on every gold ounce produced, or the right to acquire the precious metal a price much lower than market. Despite not

engaging in mining operations, Sandstorm still provides the same leveraged exposure to gold as miners, meaning that it will appreciate at a far greater rate than the underlying commodity.

The precious metal streamer announced last month that for 2019 it had completed record gold sales of 63,800 ounces and generated record annual revenue of just over US\$89 million. Impressively, Sandstorm generated a cash margin of US\$1,189 per gold ounce sold, highlighting the considerable profitability of its operations. That margin will only improve as gold moves higher, thereby boosting Sandstorm's earnings.

Importantly, Sandstorm is on track to continue expanding its gold production. It anticipates that 2020 gold output will expand by around 2% year over year to 65,000 ounces and that by 2023, it will be producing 140,000 gold ounces. That will be supported by variety of development-stage projects, where Sandstorm had provided financing, including **Lundin Gold's** Fruta del Norte mine in Ecuador, being commissioned and commencing commercial production during 2020.

Sandstorm expects the portion of its gold output sourced from major and mid-tier miners to increase significantly between now and 2023. It is anticipating that 92% of its gold production by 2023 will come from mid-tier and major miners compared to 87% for 2020. That will enhance the stability of its production and earnings by reducing the risk of outages leading to lower gold output. Sandstorm estimates that by 2023 the average all-in sustaining costs (AISCs) for its gold output will be less than US\$600 per ounce, highlighting the lower risk and growing profitability of its portfolio of streaming and royalty agreements.

## Foolish takeaway

Sandstorm is one of the best stocks to buy and profit from higher gold. There is every indication that gold will [rally higher](#) during 2020, and that it could even break through US\$1,600 an ounce for the first time in years. That combined with growing gold production and lower costs will substantially boost Sandstorm's profitability and earnings, giving its stock a healthy lift, 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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