



Cautious Investors: You Must Own Some Gold

Description

Markets are certainly going for a wild ride. With global indices down 2% and up 2% the next, it certainly feels like we're in for a wild ride over the next while. With all the negative possibilities out there, it makes it difficult to invest in the near term.

The biggest issue is the absolutely ridiculous amount of debt sitting on personal, corporate, and government balance sheets. It becomes all the more disconcerting since these individuals and groups seem to have no desire to even attempt to pay any of that debt down. Most people out there seem to be in a "this time it's different" mindset, which makes it all the more frightening.

After all, one of the main factors that all bubbles have in common is access to cheap and easy credit. With interest rates so low, it's extremely easy for individuals to decide to take on huge amounts of debt, putting themselves and the global economy at risk.

Markets are still pushing to new heights. Companies that have been expensive for the better part of a decade are still expensive and climbing higher, yet cautious folks like me are feeling pretty unsettled.

Therefore, I still believe that gold should be a part of your portfolio in some form to insulate your finances against potential setbacks. There are a number of ways to buy gold, but I still believe that buying gold producer stocks can be one of the more productive ways to counterbalance a potential threat.

Stocks like **Barrick Gold Corp** ([TSX:ABX](#))(NYSE:GOLD), the world's second-largest [gold producer](#), can provide you with the comfort you need to outlast challenging times.

The company is set to report its year-end results on February 12, and it will be interesting to hear how they have fared in a year of rising gold and silver prices. The previous quarter, Q3 of 2019, was quite good in many respects, so hopefully year-end continues the string of good news.

Barrick reported that it has been making decisions to strengthen its balance sheet as well as increase the capital it returns to shareholders. In Q3, the company announced a 25% increase in [its 1% dividend](#). It also announced that it had reduced its net debt by 14% in Q2, a pretty significant move for the gold producer.

That wasn't the only good news for the company. Adjusted net earnings for Barrick were up by 67% as compared to the second quarter of 2019. The increase was the result of stronger cash flows driven by higher metals prices over the course of 2019.

If you haven't noticed, gold prices have held steady over the year, so cash flows should be strong at year-end.

The bottom line

The past few months have shown how gold stocks can protect your portfolio from a huge downturn in stock prices. Gold stocks have made some significant gains, a fact that I've used to keep my investments relatively steady.

They can frequently offset some of the volatility that comes with fluctuating markets. A dividend, even a small one, can help as well, as those payouts give you the comfort of seeing some of your capital come back to you fairly quickly.

Buying a stock like Barrick is a great way to give you some peace of mind while you sit through a volatile market environment. It's a huge global producer that you might want to consider adding given that rough times lie ahead.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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