



Here's Why Coronavirus Fears Could Push Gold to \$2,000

Description

In the fall of 2019, I'd predicted that gold had a real chance to [go above the \\$2,000 mark](#) after a strong year for the yellow metal. Naturally, the potential catalysts for a bull run I'd explored in the article were primarily economic.

A major development that emerged in late 2018 and early 2019 could now have a huge impact on the world economy and on the price of gold – still the top safe-haven for investors.

The 2019 coronavirus strain, known as COVID-19, has already claimed the lives of over 2,500 people in China at the time of writing.

There have been over 150 cases and three deaths reported in Italy, prompting emergency measures on the European continent. South Korea has reported more than 760 cases.

Less than a month ago, markets were already beginning to [react to the outbreak](#). Now there are real fears that this could grow into a global pandemic.

This could have serious repercussions for a global economy already contending with slow growth. It should therefore not come as a surprise that gold is building momentum.

The spot price of gold had already climbed above \$1,670 in early morning hours on February 24. Meanwhile, futures were down sharply for major United States indices.

The impact of this outbreak will not be fully known until officials get their hands around this crisis. Further, the economic blowback will remain mysterious in the near term, but investors should not take this situation lightly.

I have always recommended that investors hold a little bit of the shiny stuff in their portfolios as a hedge.

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#)) is a solid option for investors looking for exposure today. The Toronto-based company is one of the largest gold producers in the world with operations in Canada,

Brazil, Chile, and Argentina. Shares of Yamana have climbed 19% in 2020 as of close on February 21.

This company has been somewhat frustrating to own, as it has battled high debt and a series of earnings disappointments. However, its fortunes have started to look up in more ways than just the increase in the spot value of gold.

In the fourth quarter, Yamana reported net earnings of \$14.6 million, or \$0.03 per share compared to a net loss of \$61.4 million or \$0.06 per share in Q4 2018.

For the full year, its gold equivalent ounce (GEO) production reached 1.02 million. This number exceeded its 2019 guidance at the beginning of the year.

Cash flows from operating activities exceeded the average by 91% in the fourth quarter, and net free cash flow was over the average by 87%. The gold price increase is paying off big for Yamana, and the massive rally to start 2020 will not hurt its Q1 2020 report.

Yamana even offers a dividend for its shareholders. The stock last paid out a quarterly distribution of \$0.01 per share, which represents a modest 1% yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/21

Date Created

2020/02/24

Author

aocallaghan

default watermark