



Canada Rate Cut: 1 Top TSX Gold Stock to Watch

Description

Thus far the Canadian interest rate cut has had a muted effect on the **TSX**. It's been a volatile few months on the markets, after all, with the trade war weighing heavily on the vast majority of sectors and oil seeing a worsening outlook.

This week saw a continuation of last week's sell-off that began when the markets finally woke up to the reality of the coronavirus. That the Fed cut the interest rate again so soon into the outbreak shows just how serious the impact on the economy from the COVID-19 is being taken.

With the Bank of Canada following suit the very next day, investors have been given a clear signal. Things are about to get tough, and safe-haven assets are the order of the day.

Prepare for a choppy market

Sure, markets were up at the start of the week after a disastrous blood bath. But this is the effect of contrarians buying up oversold stocks – the result of short-selling backwash. And it will happen again. Going forward, as each fresh round of alarmist headlines is injected into the news cycle, further dips will manifest. And, again, value opportunities will abound.

However, investors may have to start [preparing portfolios for a bear market](#), one on which fiscal stimulation such as Wednesday's half-percent cut may have little effect.

The move nudged the **TSX Index** positive by a single percentage point upon its announcement. And though the central bank could make further cuts as the coronavirus continues to spread, their effect may be similarly muted.

One sector is a strong buy

Gold is on everyone's lips, with the yellow stuff rocketing on Tuesday's rate cut south of the border, and likely to carry on rising as uncertainty gives way to a full-blown bear market.

The name we're looking at today is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), the second-largest gold miner in the world, and also a play for silver and copper exposure. Barrick is also a dividend stock, paying a yield of 1.36%.

That dividend is more than adequately assured, covered by a 9% payout ratio. This also leaves plenty of scope for growth in a long-term stock portfolio built around defensive passive income. Barrick is also beating the majority of other stocks this week, up 4.2% this week.

Copper is set for a boom in prices as the green economy continues to dominate conversations about [growth in energy markets](#). Aggressive investment in precious metals is similarly supported by higher gold prices.

Barrick is one of the best names in this space, second only to industry giant **Newmont**. Barrick remains a touch overvalued, however. Investors may therefore want to add it to a watch list rather than buy at the current price.

The bottom line

With gold prices ratcheting, it's Barrick's time to shine. Adding shares in the gold miner is a smart move for recession-busting passive income and long-term capital gains.

However, the bottom is not yet in sight. Value investors may therefore want to add this stock to their watch list and buy on further weakness.

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