Why Canadians Should Buy Gold Dividend Stocks for a Bear Market

Description

As the famous saying goes, "There's nothing to fear but fear itself." While that may not be strictly true, the markets are rife with fear right now. The coronavirus is hitting economies around the world, with no end in sight to its spread.

Perhaps the greatest impact on the markets, however, is the response of spooked investors and alarmist headlines. However, there is one solid play to fit all eventualities.

default watermark

Now is the time to buy gold

The two largest gold producers are a smart place to look for airtight balance sheets. **Barrick Gold** (TSX:ABX)(NYSE:GOLD), in second place globally, may be the more overvalued of the two top tickers.

However, its geographical diversification is exemplary. The miner commands sites in 15 countries across the Americas and Africa, Papua New Guinea, and Saudi Arabia.

Copper also forms a significant part of its diversified portfolio. It's a star stock for a new metals investor. The retiree or early retirement investor should also consider Barrick's high-quality, long-life assets for an RRSP or TFSA.

Barrick's revenues are fed by high-margin operations in key locations. The rising price of gold, driven by fear in the markets, will only improve Barrick's profitability.

The data is key when it comes to doing your gold stock homework. Value investors take note: Barrick's P/B ratio of 1.7 is slightly over the average for the mining sector of 1.4 times book. However, the passive income investor may want to focus on a dividend yield of 1.3% and slender 9% payout ratio.

In terms of growth potential, Barrick investors could expect total returns of 107% by 2025. The stock is popular this week, up 12.8% overall amid a highly volatile market.

Gold dividend stocks are a strong buy

Pundits are bullish on two things right now: gold and dividends. Barrick and **Newmont** (TSX:NGT)(NYSE:NEM) are strong buys for both. Unlike Barrick, however, Newmont matches a great balance sheet with good value for money.

Newmont is also the world's top gold producer with sidelines in copper, silver, zinc, and lead, which spreads the risk of overexposure in your portfolio.

Similar to Barrick, Newmont offers international diversification, and covers the Americas, Australia, and Africa. The stock beat Friday's selloff on the **S&P 500** by remaining one of only a handful of positive stocks on the index. Newmont is a strong long-term buy with almost a hundred years of public trading under its belt.

This name is a strong buy amid coronavirus fears, with its share price rocketing 16.4% this week. Newmont nevertheless trades at 56.1% below fair value, making it the best value buy among the top gold dividend stocks.

Its 1% dividend yield is covered by a 14% payout ratio, which makes for reassurance and dividend growth potential as equities falter ahead of a potential bear market.

default watermark

The bottom line

Fear is not always warranted in the markets, and when it is, investors often overreact. However deadly the coronavirus may prove to be, the economy could be hit just as hard by spooked investors. The low-risk investor should therefore be considering all-weather gold dividend stocks.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:NGT (Newmont Mining Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

Date
2025/09/11
Date Created
2020/03/08
Author
vhetherington

default watermark

default watermark