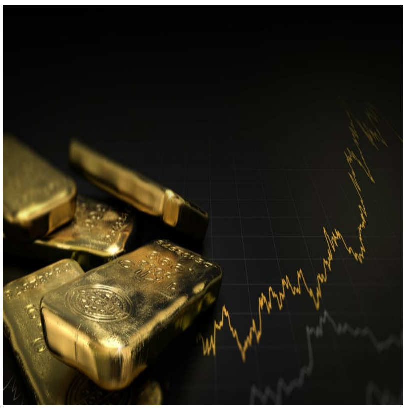

Market Crash: One Top Canadian Stock That Could Soar in April

Description

The market crash over the past month already erased more than 35% off the **TSX Index**.

Ongoing volatility should be expected and investors could see additional downside. The coronavirus continues to spread and governments are ramping up strict measures in order to ensure that people adhere to social distancing requirements.

Households and businesses need cash and it will take some time for government aid programs to hit consumer and corporate bank accounts. Amid the chaos, investors are shifting funds to safe-haven assets, including government bonds, the American dollar, and gold.

Gold rally

The gold rally began at the end of May last year when gold traded near US$1,300 per ounce. The summer months saw investors start to worry more about the economic impacts of the trade battle between the United States and China.

Tariffs increasingly impacted businesses in both countries and fears about a possible global recession sent investors into safety mode.

The announcement of a phase-one agreement did little to calm the market, however. In fact, gold continued to rise as investors felt the trade battle would continue well into 2020. The arrival of the coronavirus added to the fear, giving gold another boost.

In February, the price of the yellow metal rose from US$1,550 to nearly US$1,700 before profit taking triggered a pullback. Panic selling of all assets drove gold back down below US$1,500 in March.

At the time of writing, however, gold is surging more than 4% and just hit US$1,550 again.

What's going on?

The U.S. Federal Reserve said that it's implementing an unlimited asset purchase plan, also known as quantitative easing (QE). This announcement sent bond yields into a nose dive. Falling bond yields tend to be positive for gold, as they reduce the opportunity cost of owning the precious metal.

Government debt in many countries already trades at negative yields, which makes no-yield gold more attractive to investors who need to park large sums of money.

Which top gold stocks should you buy?

April might bring the peak of the coronavirus spread. It could also be the month gold soars and starts a new rally.

Barrick Gold (TSX:ABX)(NYSE:GOLD) might be an attractive buy in this environment. The mining giant is the planet's second-largest producer.

Barrick expects gold output to be about five million ounces per year over the medium term. It operates five of the top 10 mines on the planet and has expertise in key regions, including Africa and the Americas.

Management has worked hard over the past few years to clean up the balance sheet. A debt load of US$13 billion once threatened to bury the company. In a recent statement, the CEO said Barrick might finish 2020 with zero net debt.

The board raised the dividend by 40% for 2020, and more increases should be on the way. Every US$300 increase in the price of gold adds US$1.5 billion in additional cash on an annualized basis. With debt effectively wiped out, Barrick could become a free cash flow machine.

Barrick Gold trades at $25 per share right now, down from the recent high of $29 and well off the 2011 peak above $50. It wouldn't be a surprise to see gold could take a run at the previous high around US$1,900 in the coming months.

If that's where the market is headed, Barrick Gold looks cheap right now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/09/10
Date Created
2020/03/24
Author
aswalker