



Market Crash: Should You Buy Gold Stocks?

Description

Over the last few weeks, as stocks have been declining rapidly, gold stocks have been extremely volatile — sometimes moving with the markets and other times moving directly opposite to it. Clearly, investors can't figure out what's happening.

There's still plenty of fear in markets, and gold tends to be a safe haven asset. However, up until now, the most in demand asset has been cash.

That has been what's caused this [market crash](#) globally, which has largely included gold stocks. Even the price of gold has appreciated somewhat, but nowhere near where it has the potential to go once investors get to grips with what's going on.

Gold prices due for a major increase

Central banks and governments worldwide have moved quickly to prevent major economic issues. The trend among most countries has been to rapidly increase the money supply and provide fiscal stimulus, which is important to help inject liquidity into the economy and give people much-needed money they can't earn.

However, it has two effects on gold stocks that investors should pay attention to.

First, because it's providing liquidity in the economy, it should help to lessen the fear in markets. That means that cash isn't such a high priority for investors.

This is good for gold stocks because it's one of the reasons they were sold off in the first place. And even if they'd been appreciating, it would have weighed on momentum as investors sold their profits.

Second, the massive stimulus package in the U.S and many countries will naturally drive up the price of gold. It's most important with the Federal Reserve, as gold is priced in U.S. dollars. It's also important because the U.S. is a major world economy.

An influx of U.S. dollars into the economy is therefore bound to weaken its value — and a weaker U.S. dollar usually means a growing price of gold.

Furthermore, despite the spot price of gold being one price, trying to buy physical gold is quite another matter, indicating major shortage in the physical markets.

Sure, mints like the Royal Canadian Mint have shut down for the short term, but premiums above 15% to buy physical gold suggests a major shortage in the precious metal.

As well, with many mines globally shutting production for a few weeks, a big shortage of gold production will likely come just as gold's demand starts to skyrocket.

A top gold stock to buy

Investors looking for a gold stock to buy due to these major catalysts should consider a stock like **Equinox Gold Corp** ([TSX:EQX](#)).

Equinox is an exciting growth stock. The company only began production in 2018 and has already proven to be one of the top gold stocks to buy.

Over the last year, the stock is up roughly 50% versus the **TSX**, which is down roughly 20% over the same period. However, despite that performance in the last year, over the last month, the stock is down by 20%.

Investors who have been moving to gold stocks have been buying up the major companies like **Barrick Gold Corp**, resulting in smaller gold producers like Equinox losing value — and becoming even more attractive for long-term investors.

The company now has six operating mines with more in development. It expects to produce up to one million ounces a year by 2023, and at all-in sales costs below \$950.

That's about a 50% increase in expected production. Plus, at the same time that it's growing production and lowering its costs per ounce, it will most likely see the price of gold increase considerably.

This growth potential coupled with Equinox's strong execution already make it a top gold stock going forward.

As the price of gold eventually rises, many gold stocks will perform well. However, I expect Equinox to be the top performer.

Bottom line

It's only a matter of time before gold begins its rapid ascent, so don't wait too long to gain some exposure. You can play it safe and buy an industry leader like Barrick.

However, investing in a heavily discounted intermediate producer like Equinox is the investment with

the best value at these prices.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:EQX (Equinox Gold Corp.)

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Date

2025/07/21

Date Created

2020/03/30

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