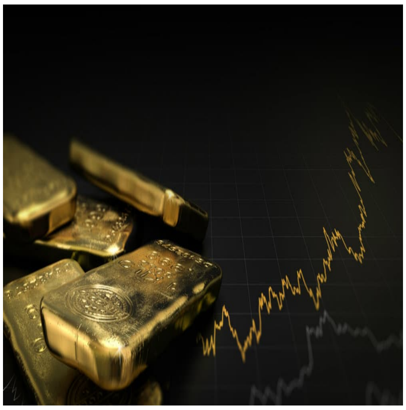

How and Why Should You Invest in Gold Amid the Market Crash?

Description

The coronavirus outbreak has not spared anyone. It's not just growth stocks; defensive stocks such as utilities and consumer staples have also been equally weak in the last few months. However, in my view, the last reliable resort to take shelter in these uncertain times is the traditional safe haven: gold.

The **TSX Composite** has fallen more than 25% so far this year, while gold has rallied more than 15% in the same period. I used to overlook gold as an investment because of its lacklustre performance in the last decade. However, its rally since mid-2019 and strength during this pandemic have forced me to alter my reasoning.

Let's take a look at the three of the best ways to have exposure to gold. Each alternative has its own pros and cons. Even though the physical metal was volatile early this month, it remains an attractive safe-haven avenue compared to bonds and defensive stocks.

Gold miner stocks during the market crash

Gold miner stocks have been on a solid uptrend in the last few months. Because of their high correlation with the physical metal and dividend-paying abilities, this option makes sense.

Shares of **Barrick Gold**, the second-biggest miner in the world, have surged more than 45% in the last 12 months. It has been reducing debt and solidifying its balance sheet for the last few years. Barrick Gold is an attractive investment proposition for the long term, even after its recent rally.

The drawback of this alternative is relatively higher volatility. Gold miner stocks generally do not fully replicate yellow metal prices and have a positive correlation with broad market indices as well. Thus, when the stock markets crash, these stocks also exhibit downward pressure.

If you are having a hard time selecting an appropriate gold miner stock, you have **iShares Global Gold Index ETF**. It has a diversified portfolio of gold mining companies and trades on the TSX.

Gold ETFs

Gold ETFs (exchange-traded funds) overcome the cons of the gold miner stocks. Gold ETFs track and fully replicate physical gold prices. These are traded on exchanges and can be stored in your investment account, just like stocks.

Sprott Physical Gold Trust is one such safe and convenient way to gain exposure to gold. Investors also have an option to take physical delivery of the yellow metal, subject to some fees.

There are a number of such ETFs, like **SPDR Gold Shares**, that trades in the United States. It also tracks the price of gold and is a solid substitute for owning physical metal. Investors may choose an appropriate ETF based on expense ratios.

Physical gold

One can buy physical gold bars or coins, but that's the least-attractive way to get gold exposure. You will end up shelling out more in premiums for both buying and selling. Plus, the cost of storage will be another headache. Also, it will not pay you any dividends during storage. It's better to go digital.

The point I want to make here is, markets will remain volatile in the short term — not just during the market crash, but for the long term as well — so one should have gold in your portfolio. While its returns might not be attractive to meet your financial goals, but it will give the much-needed stability and defensive tilt to the portfolio.

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