



2 Best-Performing Canadian Stocks So Far This Year

Description

The COVID-19 pandemic in 2020 has brought some previously unknown pharmaceuticals firms to the limelight and propelled one small-cap to lead among the best-performing Canadian stocks so far this year.

However, there has been a surge in gold prices, as investors took a flight to safe-haven assets. This has been a welcome blessing to well-placed gold producers. But returns on gold stocks are nowhere near those on this unknown nanotech pharma start-up.

Best performance from Sona Nanotech stock

Sona Nanotech's (CNX:SONA) stock has risen over 1,240% so far this year. The small-cap firm announced on February 11 that it was developing a more efficient rapid-response coronavirus test, and investors were quick to take notice.

Powered by a key partnership

A further announcement that the small firm has partnered with GE Healthcare Life Sciences was a strong “guarantee” and validation to the company’s potential to bring to market a functional and essential solution in the fight against COVID-19. Such hopeful news is all the world needs right now.

The key detail was that Sona Nanotech will retain all commercial rights to the resulting test. The market celebrated such detail, which empowers the recent start-up with a key intangible asset. The small firm could make good money while helping the world quickly and efficiently test for the troublesome coronavirus that has locked humanity inside homes.

Pre-orders piling up

The company had accepted pre-orders for over 3,000,000 test kits by Monday. It has already identified

two companies that will provide contract manufacturing services for the product.

I understand why investors are bullish on this best-performing Canadian nanotechnology stock; it stands to make good money from the commercialization of the rapid-response test kit.

Beware the significant business risk!

The small firm is yet to report any revenue on its books since inception.

Although the company's gold nanotechnology could be adapted for use in several health applications, this requires approval from Health Canada and the U.S. Food and Drug Administration. Such approvals aren't there yet.

There isn't any strong cash flow visibility beyond the coronavirus pandemic, especially if the new technology fails to be adapted to other use cases. There's a significant business risk here.

Sona Nanotech is yet to commercialize any product, and the market is buying into the promise of a product that is still in the development stage. Everything could go wrong here, and that could mean a catastrophic tumble in the share price back to the humble pre-pandemic trading ranges.

A fired-up Newmont

Newmont ([TSX:NGT](#))([NYSE:NEM](#)) stock has surged by over 47% so far in 2020. Shares are setting new all-time highs to rank among the best-performing Canadian stocks so far. And it's not only a result of the rise in the gold price.

Newmont is the world's largest gold producer with operations concentrated in the best mining jurisdictions of the world. NGT recently streamlined operations with the sale of KCGM in Australia and Continental Gold as well as the disposal of Red Lake mine, a difficult ore body.

The asset sales allow management to focus on lower-cost, higher-margin and profitable operations. The recent rise in gold prices to around US\$1,750 per ounce could mean strong margin expansions and significant increases in profitability for the firm's operations this year.

Analysts predict Newmont could report strong revenue growth and see its earnings rise by over 51% year over year in 2020. This could make Newmont one of the best-performing Canadian gold producers this year.

The company recently announced a 79% dividend increase, but the yield remains too low to attract income investor attention today.

NGT has been one of the best defensive plays in a [pandemic-stricken](#) market. However, a strong rise in Newmont stock this year has triggered market chatter about potential overvaluation in the near term. If that's a concern, there are many other gold names to consider. Another large-cap producer, **Barrick Gold**, enjoys low-cost operations but with some drag due to beaten-down copper prices.

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1. Investing
2. Metals and Mining Stocks
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