



## How to Buy Gold Stocks in 2020

### Description

It's easy to imagine that everything lost value in the market turmoil of March. After all, the COVID-19 pandemic is a global shock that's disrupted the economy in an unprecedented way. However, one segment of the market retained its value better than all else: gold and [gold stocks](#).

What I call gold stocks include any listed security with exposure to the market price of physical gold, which could include exchange-traded funds that track the price of an ounce or gold miners that tend to be correlated with the market price.

Here's how these gold stocks performed in 2020's catastrophic volatility — and why you should consider adding some.

### Gold stocks history

When fear runs rampant, gold serves as a shining shelter. Investors who are afraid of losses pull back from risk assets such as stocks and bonds. However, keeping wealth in cash is far from risk-free.

Now that central banks are printing cash and devaluing currency, hard assets like gold could be better for storing value. In fact, even central banks store value in gold reserves.

During the previous financial crisis, the price of gold shot up. Gold rose from US\$500 per ounce at the start of 2006 to nearly US\$1,000 by 2009. If you were old enough at the time, you'll remember that stocks lost nearly half their value over that same period. In other words, gold was a hedge against the market downturn.

This time was no different. The price of gold was up 21% in this first quarter of 2020 — the best quarter the shiny metal has had in seven years! It now trades for roughly US\$1,582 per ounce at writing. Consequently, gold stocks have also had an incredible run this quarter.

## The best gold stocks

Investors can choose between exchange-traded funds and gold mining stocks for exposure to this shiny metal. Personally, I prefer gold ETFs. The funds are a simple and convenient way to add exposure to a safe haven. I find it easier to trust an ETF for the long term.

The **iShares S&P/TSX Global Gold Index ETF** is, of course, the flagship gold stock in Canada. If you'd bought the fund at the end of January this year, you'd be up 18.95% by now. **Horizons Gold ETF** and **iShares Gold Bullion ETF** have performed similarly well.

However, some investors might be looking for stable income and better capital appreciation. By adding some leverage, gold mining companies and gold stocks can extract better value from the rising price of gold.

**Barrick Gold Corp.**, **Novagold Resources Inc.** and **Kinross Gold Corp.** are your best options. All are up between 38% and 41% year to date. In other words, they performed twice as well as regular physical gold.

## Foolish takeaway

As a younger investor, I really never understood the appeal of gold. My parents, of course, have always had some exposure for rainy days. Now that the economy seems to have fallen off a cliff and gold has retained its value wonderfully, I finally understand the appeal.

Gold stocks such as ETFs and gold mining companies should be on your radar if you expect more volatility ahead.

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