



TSX Gold Stocks: The Best Investment in 2020

Description

The massive worldwide pandemic caused by the novel coronavirus has abruptly changed lives around the world. And while a lot of businesses and stocks have been impacted, some of the least-impacted stocks so far have been **TSX** gold stocks.

The abrupt shutdown of economies and the massive job losses suffered as a result have become one of the biggest economic challenges we have seen in decades.

Governments and central banks have been working tirelessly to help their citizens overcome this and cope with the new reality. One of the main ways that governments have tried to subsidize those who have been heavily impacted financially is to print massive sums of money.

Printing debt allows governments to borrow from the future. This means that we can borrow money that we will make in 10, 20, or 30 years to help pay for essential services that can't be afforded today.

Massive money printing

This idea of governments borrowing massive sums of money from the future to stimulate the economy is not a new concept. This is what governments plan to do in a normal recession. They spend government money to get cash flowing in an economy in an attempt to spark a faster rebound.

The problem arises when we consider that many governments, especially the Canadian and American governments, have been running deficits for years, including through the last decade, as the economy was growing rapidly.

This means that now when that government debt is badly needed, governments around the world continue to take on even more debt just to help their citizens weather this economic storm.

Gold prices: the main catalyst for gold stocks

If the problem were localized to one country, and that country had to print a tonne of money, in comparison to currencies of other countries whose economies remained strong, the value of its money would decline.

However, since this is essentially happening all around the world, every countries' currency will lose value. The problem is if they are all losing value with each other, what are they losing value against?

This is where gold prices come in. These days, gold is barely ever thought of as a currency. However, that's exactly how it acts when currencies are being massively devalued.

Furthermore, as countries continue to print massive amounts of money by the day, gold mining has declined because of mandatory shutdowns due to [COVID-19](#).

These factors together are creating some significant catalysts in gold prices. These major catalysts are what make TSX gold stocks exceptionally attractive investments today.

TSX gold stocks to buy

The number one thing that influences a gold producers' profitability is the price of the main asset is sells. In fact, many gold producers are leveraged to the price of gold.

For example, consider a company that can make a profit of \$100 per ounce of gold when gold's at \$1,500. If gold's price rose to \$1,600, the company's profit would double. So, even though the price of gold only increased by 6.7% (from \$1,500 to \$1,600), the business's profit increased by 100%. That's the gist of the leverage that gold stocks have.

One of the best TSX gold stocks to consider buying today is **Kirkland Lake Gold**. Like many gold producers, [Kirkland Lake](#) is experiencing temporary shutdowns of some of its mines.

The shutdowns will inevitably affect its earnings in the short term. However, they also highlight the importance of Kirkland Lake's diversification. Currently, although its Canadian mines are significantly impacted, its Fosterville mine in Australia remains at full capacity.

Going forward, as these shutdown restrictions are lifted, Kirkland is one of the best-positioned stocks. The company has extremely low costs to produce gold. This means every time the price of gold rises, its profits grow substantially.

At just over \$50 a share, Kirkland Lake's stock remains nearly 25% off its 52-week high. This gives it exceptional room for growth, especially if gold can continue to appreciate.

Bottom line

In the current market environment, there is still so much uncertainty and many unknowns. However, what we do know is that TSX gold stocks are in for a big run, which is why they are the best investment of 2020.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/25

Date Created

2020/04/18

Author

danieldacosta

default watermark

default watermark