



\$3,000 Gold? Buy These Stocks

Description

Late last week, the **Bank of America** made a bold call: \$3,000 gold. At this price, gold would have to fly through the all-time high of \$1,921/oz set back in September of 2011.

According to the analysts, investors will look to gold “...as economic output contracts sharply, fiscal outlays surge, and central bank balance sheets double, fiat currencies could come under pressure.” They aren’t wrong, nor is their call for \$3,000 gold completely nonsense.

The Feds are pumping an unprecedented amount of money into the economy and in such times, [gold shines](#). Not surprisingly, gold is trading at \$1,692/oz and is up 11.74% in 2020.

Bank of America analysts are calling for average gold prices of \$2,063 an ounce in 2021 and expect 3,000 gold in the next 18 months. If gold is ready to hit all-time highs, then investors would do well to increase their gold exposure.

\$3,000 gold with lower risk

Producers usually outperform when the price of gold rises, and underperform in a bear market. One way to minimize risk is to invest in streamers, giving you exposure to the commodity without the additional cost burdens of exploration, development and operations. In this space, there is none better than **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)).

Riding the gold wave, Franco-Nevada is touching 52-week highs. Now trading at \$192.04 per share at writing, Franco-Nevada is up 44% year to date. There is perhaps no better gold stock to protect against potential downside.

After the price of gold cratered in the early part of the decade, Franco-Nevada emerged relatively unscathed. It was the only gold stock that didn’t cut the dividend, and remains the only **TSX**-listed gold company that’s a Dividend Aristocrat.

The company's 12-year dividend growth streak is particularly impressive when one considers that the price of gold was in a bear market for the majority of that streak. If it was generating sufficient cash flow to grow the dividend then, imagine what it can do at \$3,000 gold.

If gold prices hit record highs, Franco-Nevada will no doubt continue setting records itself. What if gold fails to reach record levels? No matter, Franco-Nevada has a proven track record of growing in a bear market. Regardless, investors win.

A gold producer with no debt

Another way to limit your risk, invest in producers [with little-to-no debt](#). At \$3,000 gold, companies with no debt will be flush with cash. One such company is **Alamos Gold** ([TSX:AGI](#))([NYSE:AGI](#)). Until recently, Alamos Gold trailed its peers.

The reason? The company is in a transition year and production is expected to dip. However, this is short-term thinking and the market is catching on. In the last week, Alamos' share price soared by more than 20% and is now up 45.47% year to date.

Alamos is on track to complete the Lower Mine at Young-Davidson by the end of June. As a result, the company is expecting a significant uptick in cash flows in the second half of 2020.

The real opportunity however, comes in 2021, when production is expected to jump by 25% year over year. Similarly, all-in sustaining costs (AISCs) are expected to drop to the \$800 per ounce range from \$1,039/oz in 2020.

If the markets see gold prices average above \$2,000/oz in 2021 and \$3,000 gold in 18 months, Alamos will be printing cash. While the company pays a modest dividend, it can rise at a significant clip.

The company already announced a 50% increase to the dividend earlier this year. At \$3,000 gold, Alamos is well positioned to reward investors with significant returns.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AGI (Alamos Gold Inc.)
2. NYSE:FNV (Franco-Nevada)
3. TSX:AGI (Alamos Gold Inc.)
4. TSX:FNV (Franco-Nevada)

PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

Date

2025/08/14

Date Created

2020/04/28

Author

mlitalien

default watermark

default watermark