



## Global Recession: Is It Time to Look at Gold Stocks?

### Description

With a global recession almost certainly in full swing, investors are showing renewed interest in gold. According to GoldPrice.org, gold was going for \$1,703 on Monday, a 31.5% increase over the same day a year before. That's an impressive gain. And it's not only the commodity itself that's seeing a boost.

Gold stocks are [also rising](#), with **Barrick Gold** up 47% year-to-date. In this environment, both gold and gold stocks may be worth considering. The following are a few factors to consider if you're looking into gold investments.

### The case for gold

There are several ways to invest in gold — the main reasons being holding bullion, buying derivatives, and investing in gold stocks. I'll skip derivative plays, however, as a highly technical topic beyond the scope of this article.

Investing in gold bullion is the most straightforward gold play you can make. You simply buy the physical asset from a vendor and store it somewhere. That could be a safe in your house or in paid storage at a facility. You need to own a large amount of gold for paid storage to be worth it.

One advantage of investing in gold bullion is that it's straightforward. If gold prices rise, so too do your holdings rise. It's that simple. When you invest in gold stocks, on the other hand, you need to look at not only the price of gold, but also the company's output, expenses, and financial position. So, compared to investing in gold stocks, investing in bullion is fairly simple.

The disadvantage of buying bullion is that you have to store it. As mentioned earlier, this means either hiding it in your house or paying for storage space. You therefore either run the risk of having your gold stolen, or you incur storage costs.

These obstacles are less of a problem if you own a really large amount of gold. According to PreciousMetalTax.com, one large Canadian storage service charges a minimum of \$50 a month.

That's a heavy cost if you have only one ounce of gold. If you have 1,000 ounces, on the other hand, the percentage fees charged will be fairly small.

## Gold stocks

Having discussed physical bullion, we can now move on to the other main option for investing in gold: Stocks.

Gold stocks like **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) give you a piece of a gold mining operation. Here, you have two potential drivers of returns: gold price increases, and increases in gold output. A gold stock like KL could perform well even if gold prices are flat. That's one advantage you don't get with holding bullion.

The downside is that gold stocks are much more complex investments than gold bullion. As mentioned earlier, to invest in gold stocks, you need to keep on top of gold prices, your company's production levels, its finances, and more. That's a lot more analysis than goes into storing gold in a safe.

If you look at Kirkland Lake Gold, for example, its stock has been basically flat over the past year. Over the same period, gold has risen in price more than 30%. Even with KL [increasing its production significantly](#), its stock has failed to keep up with the price of gold. This is always a possibility with stocks.

Even if the underlying fundamentals are in your favour, the stock price may remain depressed. It's just one example of the extra complexity you face when investing in gold stocks rather than gold bullion.

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