



Why the Stock Market Rally Won't Last

Description

The stock market crash and subsequent rally have dominated the news in North America for the last few months. First, it was the market crash making all the noise as stocks sold off at a rapid pace. Now, as the market has come storming back it's the rally that everyone's talking about.

Stocks began to sell off in late February as it became clear [coronavirus](#) wasn't going to be an overseas issue only. Then, as markets already had downside momentum, a failed agreement between key OPEC+ members sent the price of oil tumbling — and shares along with it.

Markets were crashing rapidly, circuit breakers were being triggered due to excess volatility became an almost daily occurrence.

Then, almost as fast as the market crash materialized, it was over. Soon after that, the market began to rally, and indices like the **TSX** have already gained back roughly half of what it lost.

Is this market rally here to stay?

In my view, the stock market has become far too optimistic in recent weeks. And reading numerous analyst reports, expectations for the rest of the year indicate that the market is pricing in a sharp recovery.

While this is a possibility, there is still almost no clarity on how things are going to go. And with many medical experts warning of a second potentially worse wave in the fall and a vaccine still many months away, I'm taking a more cautious approach.

Like many investors, I have loaded up my portfolio with defensive stocks in the last few months. These stocks provide stability during a recession, and most pay attractive dividends.

In addition to buying defensive stocks to protect your portfolio, you can also buy [gold stocks](#) for growth in this environment.

Market rally or not, gold stocks are a buy

With so much money being printed and therefore currencies being debased, it's not totally surprising that stock markets have performed so well.

A lot of the initial sell-off was due to investors rushing to raise cash and liquidity. All the money printing, however, has started to cause short-term asset price inflation.

While this has sent a lot of large-cap stocks soaring, some of the best performers have been gold stocks. The trouble is, with nothing to back the rally in equities, they could be at risk of another pullback.

Gold, on the other hand, is experiencing one of the most accommodating environments in recent memory.

Top TSX gold stock

In my view, one of the top TSX gold stocks for investors during this market rally is **B2Gold Corp** ([TSX:BTO](#))(NYSE:BTG). B2Gold is a rapidly growing gold producer with considerable potential at the current share price.

The company has grown its gold production considerably in the last few years, which has set the stock up perfectly for these higher gold prices. The stock has extremely low costs of production and a long track record of profitability.

In 2018, B2Gold reported a net income of \$162 million at an average gold price of \$1,263.

The year 2019 saw the company nearly double its production of gold. The increased production, coupled with an average gold price of \$1,393 (up 10.1%), saw B2Gold's net income rise to \$256 million. That's an increase of roughly 58%.

This year, production is expected to stay mostly flat. However, gold prices have already surged to more than \$1,700. This could be a major tailwind for B2Gold, especially given that it continues to lower its costs of production.

For gold stocks, as long as the company can execute and gold prices continue to appreciate, the stocks will be some of the top performers.

Considering B2Gold's strong track record and its significant leverage to gold prices, it's one of the best stocks to buy in this market rally.

Bottom line

It's very unclear whether the market rally can last, and I see another pullback coming. However, one thing that looks certain is that gold stocks will continue to outperform for the foreseeable future.

CATEGORY

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

TICKERS GLOBAL

1. NYSEMKT:BTG (B2Gold Corp.)
2. TSX:BTO (B2Gold Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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