TSX Stocks: Will Gold Keep Glowing for the Rest of 2020?

Description

The yellow metal has been a proven winner in the market turmoil this year. While TSX stocks at large corrected 30% in just 20 trading days, gold and allied assets stayed notably stronger amid the pandemic crash. Some of the hardest-hit sectors, like aviation and hospitality, are still down about 50%, despite the recent bounce back. However, TSX gold miner stocks have surged almost 60% so far this year. But will gold keep on shining as bright for the rest of the year?

TSX gold stocks amid the market uncertainty

Many used to pass on gold as an investment because of its lifeless performance in the last decade. However, its rally since mid-2019 and strength during this pandemic have insisted they change their reasoning.

Increasing broad market uncertainty along with lower interest rates have played as a constructive combination for gold. Record-low bond yields have forced investors to the yellow metal mainly due to its safe-haven appeal. While gold has been lingering around $1,700 levels from the last few trading days, it could be readying for a continued upward march in the near future.

Global economic growth is expected to fall to record lows this year amid the pandemic. At the same time, higher stimulus measures could continue to support the gold rally. Another factor that might aid the traditional safe haven is the potential increase in geopolitical tensions.

Geopolitical tensions

The whole coronavirus saga could further increase tensions between the U.S. and China — the biggest economies and growth engines of the world. The two recently reached a partial trade resolution on their year-long trade disputes early this year.

However, the new pandemic narrative is again disturbing the so-called truce between these two. The full-blown trade war has already cost the world big. A reversal from phase one trade truce could further dampen the corporate sentiment. That would again push gold prices up.

Notably, this year has already been one of the most volatile for equities due to the virus outbreak. The volatility will not allow subsiding mainly due to the U.S. presidential elections in November. Investors generally switch to safer assets such as gold to hedge the broader market volatility.

Although major economies are re-opening gradually after lockdowns, fear and uncertainty will likely continue to dominate. Thus, business activities could take time to get back to normal.

Gold and TSX stocks

Driven by higher gold prices and solid quarterly earnings, Canadian miner stocks have been on a roll this year. Shares of **Barrick Gold**, the second-biggest gold miner in the world, have surged around 60% so far this year. Top TSX stock **Newmont Gold** has also shown a similar movement in this period. **Kinross Gold** and **Yamana Gold** stocks have notably outperformed broader markets this year.

Higher gold prices could continue to drive these stocks upward. However, lockdowns might force these gold miners to curtail gold production for the rest of the year. Also, the recent rally has made many TSX gold stocks expensive on the valuation front.

Barrick Gold stock looks expensive, but its higher earnings growth this year might justify the higher multiple. Also, its improving debt profile is a big positive for long-term investors. Conservative investors could consider buying it on dips.

Instead of picking individual gold-miner stock, one can bet on the commodity. The **iShares Global Gold Index ETF** has a diversified portfolio of gold mining companies and trades on the TSX.

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