Gold Stocks Soar! Are These 2 Stocks Still Attractive Today?

Description

For the last two years, I have been writing about adding gold to your portfolio to protect against economic uncertainty. These stocks have done very well, doubling or more over the past year. Continued strength in gold prices should continue to drive prices higher in the coming months or even years.

That is great for people who've invested early on, but it does not help curious investors decide if it is still a good time to invest in gold stocks. With prices shooting up, should you be buying today?

Gold stocks are flying

After a bit of a stumble in mid-March, gold stocks have taken off to an enormous degree. Some of the best names in the industry, such as **Agnico Eagle Mines** (TSX:AEM)(NYSE:AEM) and **Franco-Nevada** (TSX:FNV)(NYSE:FNV) have gone parabolic. Their stock prices are hitting new highs almost every day, it seems, lending credence to the gold trade.

There are fundamental reasons behind the flight to gold. Interest rates are getting slaughtered and governments are taking on debt at historic rates. Inflation might rear its ugly head again soon, and if it takes off, the price of gold might go flying with it. These are historic, unprecedented times, and no one has a clue how it will all play out.

Attractive operations

Agnico and Franco-Nevada both have appeal in their business models. Agnico draws investors in due to the fact that the majority of its operations are in relatively stable geopolitical regions in Canada, the United States, and Mexico. It also has a low cost of production, which helps it capitalize on the increased price of gold.

Agnico also benefits from the fact that 97% of its revenue is from gold. Gold has had a much better run than silver, driving revenue higher. It also pays a small dividend of about 1.15% at the current share price, which is a nice bonus while you hold the stock.

Low exposure to mining risk

Franco-Nevada is the gold standard in precious metals investing. The fact it is a gold royalty company limits its risk to operations. The company is not immune to mining disruption, but it has a diversified income stream that comes from multiple regions around the world.

Its debt-free balance sheet helped it to take advantage of opportunities when gold prices were low a few years ago. Now, when gold prices are high, Franco-Nevada is in the privileged position of cashing in on those investments.

The strategy also powers one of the best dividends in the gold sector. It is very small at less than 1%, but the dividend has grown steadily over the years. In fact, in the first quarter of 2020, Franco-Nevada increased the dividend by 4%.

The Foolish takeaway

I have to admit, I am more likely to be more of a seller at this point than a buyer. These stocks have performed very well after years of patience, so it is time to take some profits. Gold stocks can fall as fast as they go up, making them riskier at this point, as everyone is rushing in. If any stocks have doubled, I would certainly sell half to get my money back.

I certainly would not sell everything, since there is still a lot of geopolitical risk on the horizon. As a new investor, though, you could buy a little, perhaps half of what you intend to spend, and then wait for a pullback in gold stocks before adding more.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:FNV (Franco-Nevada)
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krisknutson