



This Gold Stock Is Perfect for Nervous Investors

Description

The markets are growing [volatile](#) again. After the sudden coronavirus correction, investors were hoping that the recent rally would hold, but it's growing clear that more downside is yet to come. If you're nervous, now is the time to buy gold stocks.

But don't buy just any company involved in gold mining. This industry is famous for poor capital allocation. Some of the most valuable projects in history have been squandered by poor management teams, leaving shareholders with little to show for the potential success.

If you want to [protect](#) your portfolio using gold stocks, stick with a proven commodity like **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

Protect your portfolio

Kirkland Lake is already proving that it's a safe harbour during the storm. Since the year began, the **S&P/TSX Composite Index** has lost 15% of its value. Kirkland Lake stock, meanwhile, has fallen by only 2%.

What makes this company such a reliable bet? The biggest factor is prudent capital allocation.

When gold prices rise, gold stocks usually rise in suite. Mining companies have better access to capital, and previously uneconomic projects suddenly appear profitable to develop. Miners load up on debt to expand operations. But here's the thing: new mines can take years to construct. During that time, gold prices can easily slide lower.

This is a classic issue with gold stocks. When times are good, management teams overspend. When conditions weaken, they sell these once-promising assets at fire-sale prices.

Kirkland Lake takes a more conservative approach. Its expansion moves slowly, focusing on low-cost projects. Much of its production breaks even at *half* the competition's levels. This allows the company to maintain profitability longer than almost every peer.

When gold prices slide, Kirkland Lake can actually *benefit* long term by purchasing assets on the cheap. With plenty of cash and continued profitability, don't be surprised to see the company acquire competing gold stocks during the next downturn.

This gold stock is ready

Despite the downturn in the stock market overall, gold prices remain stable. In fact, they remain better than stable. At the start of 2020, gold prices stood at US\$1,550 per ounce. Today, they're above US\$1,700 per ounce.

It shouldn't be hard to connect the dots here. Kirkland Lake already possessed some of the best profitability numbers in the industry. Now, gold prices are *rising*. And if gold prices sank again, the company would remain cash flow positive, allowing it to expand on the cheap.

Kirkland Lake really is the perfect gold stock. The company can thrive in any part of the economic cycle. All of this is due to its savvy management team, which has handled previous shocks with ease.

For example, from 2016 to 2018, gold prices remained flat. Kirkland Lake stock, meanwhile, *tripled* in value. And now that stock markets are sinking, this gold stock continues to outpace the competition.

If you want to limit your risk exposure but aren't keen on pulling your money from the market, Kirkland Lake should top your list. There are dozens of incredible buying opportunities this month, but this gold stock is ideal for wary investors.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/22

Date Created

2020/05/16

Author
rvanzo

default watermark

default watermark