4 Great TSX Gold Stocks to Buy in May

Description

It can be hard to cut through the headline blur of the pandemic. Genuinely useful pronouncements are getting lost in a welter of hot takes. The investment world is no different. Furthermore, Canadians may have been wrong-footed by a market rally built on hope and little else. The appetite for risk has been inching back. However, gold stocks are still a strong buy for the casual investor eyeing the severe frothiness of the current market.

Gold stocks match value, safety, and some dividends

Barrick Gold is an outstanding large-cap play with a 1% dividend yield and 50% share price growth since February. **Kirkland Lake Gold** pays a slightly higher 1.2% yield. It placed fourth on the inaugural TSX 30 last year after seeing +600% share price appreciation in the preceding three years. This year's growth has been slower than Barrick's, though, with 18% three-month gains.

Wesdome Gold Mines is another play for steep share price appreciation. Last year saw Wesdome join other Kirkland in the TSX 30 gold mining club after 172% gains since 2016. This year has seen a continuation of Wesdome's good fortunes. Coincidentally, the last 12 months have seen Wesdome match, point for point, the three-year gains that boosted it into the TSX 30 in 2019. The last month alone has seen Wesdome gallop 34%.

Divide positions and diversify across commodities

Investors should buy in stages of weakness rather than betting the farm all in go, dividing positions over the coming months. They should also diversify. **Lundin Mining** may not be the most obvious play for gold, since it is better known primarily as a copper stock. However, it's the diversified nature of this top Canadian metals stock that makes it such a strong buy. That copper exposure also makes for steep upside potential in the green energy space.

This is no time to wait for the bottom, though. The current situation is unprecedented. The pandemic market could rival even the Great Depression in terms of both long-term effects and the profundity of short-term economic pain. So, investors shouldn't bury their heads in the sand and wait for the all-clear. This is the time to keep cash on hand and start actively checking off a watch list of must-have names.

Gold stocks should figure highly on this list. These names are a strong way to both hide and grow cash during a market awash with existential risk. Entire portfolios are under threat. Look at the likes of Warren Buffett, for instance, flipflopping on airlines. Look at Jim Cramer going full bear on hydrocarbons. Consider Ray Dalio's recessionary cautioning. It's time to balance fear with value.

But value for the sake of value is never a good idea. There's a reason why "falling knife" is such a loaded phrase. Of course, an outsider looking at the TSX in second-quarter 2020 from the vantage point of 2019 might consider the entire index a falling knife. But there are some cheap names that have strongly outperformed the TSX in the last couple of months — names that pack safety and even some passive income.

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