



Recession 2020: 2 Gold Stocks to Grow Your Wealth

Description

It's entirely possible that we might be entering a period of hyperinflation. This is a time of [unprecedented money printing](#) by practically every central bank of the planet. Although this printing has been done with the expressed purpose of staving off a severe recession, the fact remains that more debt has been issued and more money created than at any other time in history.

Central banks are currently using the argument that inflation has remained stubbornly low, giving them ample room to print. However, this low inflation rate is only reflective of the goods and services that we consume. The common measure is that of the Consumer Price Index (CPI).

No inflation? Really?

The thing is, there is a lot of inflation. Most of that inflation has been in assets, such as stocks, bonds, real estate, and precious metals. To me, gold, equity and real estate prices are the biggest markers of a rise in true inflation. Real estate has gone up considerably in most developed markets over the past several years — much higher than the stated rate of inflation.

Gold has also inflated significantly over the past two decades. Even after gold fell to US\$1,100 an ounce in 2013, that still represented price inflation of around 500%!

We are in a period of inflation — make no mistake. It just hasn't shown up in our bread prices and other consumer goods due to the decades-long negative price shock of globalization and technological advances.

Hedge against hyperinflation

Now, if you buy the argument that the CPI is a flawed measure of inflation due to the exclusion of asset prices into the calculation, you should be very worried about what is coming down the pipeline. Money printing has just hit overdrive. Globalization is sputtering. If hyperinflation starts to move from asset appreciation to daily consumer goods, we are going to have issues.

Owning gold to hedge against inflation

Gold is a great way to hedge against inflation, as the past two decades have shown. If you want to shoot for leveraged capital gains, owning shares of gold companies is the best way to go. The share prices of solid companies are relatively elevated, although they have pulled back a bit. This might be an opportunity for you to buy shares of these companies to hedge against inflation while you capitalize on a rising gold price.

The gold streamers, like **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) and **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)), are probably the best and [safest way to go](#). These companies are not directly impacted by operational challenges in the way that a pure producer would be.

These companies receive diversified revenue streams from a large number of miners over a period of time in exchange for upfront investment. Both streamers have global streams with a strong concentration coming from North and South America. Wheaton also has a number of European revenue streams. Franco-Nevada stretches even farther, with operations in Australia and Africa adding to income.

Dividends

Both WPM and FNV pay dividend yields that compensate holders as they wait for capital appreciation. These yields are not large, with both currently paying out dividends of under 1% at the current share price. However, you will not buy these for yield alone. The primary purpose is to capitalize on share appreciation, as the price of precious metals continues to rise.

FNV is the best of the two in this regard. The company has consistently raised its dividend for years. The latest dividend increase amounted to a 4% raise to the quarterly payout. The company is conservative in its capital distribution as it seeks to grow from free cash flow without the use of debt.

The bottom line

Inflation will most likely be a threat in the coming years, even if it is not reflected in the CPI. Real estate, gold, and other asset prices seem to support the fact that inflation is already here. If you want to maintain purchasing power in the future, owning some gold through streaming stocks is a great way to stay ahead of the curve.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:FNV (Franco-Nevada)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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