



## Put \$3,000 Into This Gold Stock and Sleep Easy

### Description

Markets are gyrating again. Volatility is on the rise. Many analysts worry that another [bear market](#) is just around the corner. If you want to sleep easy at night, take a close look at gold stocks.

Metals companies are proven safe havens during times of trouble. Let's look at the facts.

In 1970, gold was priced at US\$230 per ounce. Today, an ounce trades for US\$1,730. That's a *seven times* increase.

Notably, gold prices held steady when stock markets sank. In the 2008 financial crisis, prices actually rose. The same thing happened during the coronavirus correction. This stability in gold prices has made gold stocks a safe harbour during the worst market storms.

"Gold is a way of going long on fear," Warren Buffett once quipped. As people "become more afraid, you make money," he [concluded](#).

If you want the ultimate portfolio protection, take a look at the stock below.

### My top stock pick

My favourite gold stock right now is **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

You shouldn't be surprised to learn that the company has outperformed the market since the COVID-19 pandemic began. Shares are down 5% year to date versus a 10% loss for the **S&P/TSX Composite Index**.

This stock also performed well during the rebound. Over the last three months, KL shares have *increased* in value by 30% versus a 20% gain for the S&P/TSX Composite Index.

What's the secret? It's all about risk management.

When commodity prices are high, many gold stocks develop high-cost mines. Let's say a proposed

project has a breakeven price of \$1,700 per ounce. When prevailing prices are \$1,500 per ounce, this mine likely won't be developed. But when prices surge to \$2,000 per ounce, suddenly the project becomes economically viable.

The problem occurs when gold prices revert lower. These high-cost projects quickly become unprofitable. Several gold miners have gone bankrupt in this exact scenario.

Kirkland Lake takes a different approach. Its management team is much more conservative. Last year, its breakeven cost was just \$537 per ounce! Gold prices would need to fall by two-thirds to reach this point. This ensures profitability throughout *any* market, producing even more long-term stability.

## Buy gold stocks now!

The stock market is historically *very* expensive relative to prevailing economic conditions. That's bad news for investors.

In a recent shareholder letter, GMO Asset Management co-founder Jeremy Grantham warned that the stock market is priced in the top 10% of its historical range, but the economy is in the bottom 10% or perhaps the bottom 1%. "This is apparently one of the most impressive mismatches in history," he concluded.

Now is the time to add gold stocks to your portfolio. A business like Kirkland Lake will remain profitable no matter where the economy goes. And if historical gold prices are any indication, shares could actually *rise* in value during the next bear market.

Protecting your portfolio has never cost so little, and the potential rewards have never been so high. You should be reviewing your entire portfolio for points of risk, substituting economically vulnerable companies with stocks like Kirkland Lake. The time to act is now.

### CATEGORY

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

### PARTNER-FEEDS

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

### Category

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

**Date**

2025/08/26

**Date Created**

2020/06/30

**Author**

rvanzo

default watermark

default watermark