



Millennials: This TSX Gold Stock Should Recession-Proof Your Portfolio!

Description

The C.D. Howe Business Cycle Council [reported on May 1, 2020](#) that Canada has officially entered a recession in the first quarter of 2020. While there are signs of recovery, the Council has said, “The decision to declare a recession with a February peak is based on preliminary data available as of April 30, 2020. Members of the Council pointed out that further GDP revisions will occur, which might impact the peak month. However, any revisions are extremely unlikely to be significant enough to alter the recession call for 2020:Q1.”

Historically, every recession has seen the price of gold rise. Even this time around, gold has hit eight-year highs and is trading at US\$1,812/ounce and looks set to beat the US\$1,923/ounce price it had reached in September 2011.

This time around, the recovery from the recession will be U shaped and not V-shaped, which means uncertainty, volatility and a general malaise in the market is likely to persist for a long while. It is unlikely that the economy and business confidence will recover before 2021.

Why this gold stock can beat the recession

This also means quality gold stocks are a smart place to park your money for the time being. **Dundee Precious Metals** ([TSX:DPM](#)) has gold and copper mines in Bulgaria and Namibia. On July 8, the company said its preliminary production results were on track from both its mines and the smelter for the first half of 2020.

It said that it is on track to “...meet its previously meet its previously issued guidance for 2020 at each of its operations.” This is a very reassuring claim for investors who like the yellow metal.

Dundee President and CEO David Rae said, “We delivered another exceptional quarter of production results at each of our three operations and continue to demonstrate the significant potential of our portfolio in 2020.” It helps that Dundee has not experienced any disruptions to its operations due to the pandemic.

The Ada Tepe mine in Bulgaria achieved its second consecutive record quarter when it increased output to 32,000 tonnes. The Chelopech underground mine, also in Bulgaria, produced a record of 49,100 ounces of gold and 9.4 million pounds of copper in the second quarter.

Valuation and more

Dundee stock has a forward price to earnings multiple of 9.43, which is a steal considering its recent growth. On May 6, it reported an increase of 80% in sales year-on-year when it announced its results for the first quarter of 2020. It [generated](#) US\$9.4 million in cash flow from operating activities and a record of US\$49.2 million of free cash flow for Q1 2020.

On June 12, Dundee was added to the **S&P/TSX Composite Index** on the back of good numbers. The company also acquired a 51% stake in the Malartic Property of **Pershimex Resources**. As per the terms of the agreement, Dundee has the option to increase its stake in the property to 71% by investing \$3.5 million in additional exploration work over the next three years.

The scenario is primed for Dundee shares to move up for the rest of the year. The stock is a good buy for investors who want a safe investment amid this turmoil.

CATEGORY

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

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Author

araghunath

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