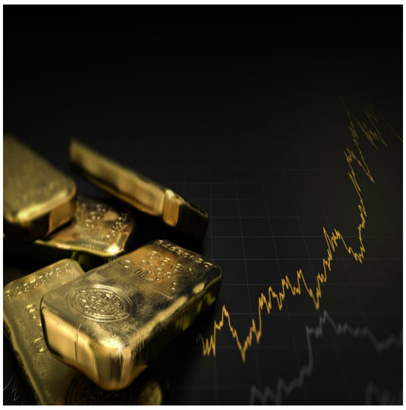

How to Guard Against a Market Crash: Buy Gold!

Description

When it comes to the tangible assets vs. stocks debate, the first asset class that most people think of is real estate. But after the real estate-induced recession of 2009, and the fact that most people were expecting the local housing market bubble to burst anyway, pandemic or not, it's clear where investors are going to hedge their portfolio: gold.

Gold and silver are on the rise. Silver's high demand is only partly driven by its status as the precious metal. Another reason for its demand is its industrial uses (i.e., batteries, dentistry, LED chips, solar panels, and other semiconductors, etc). But the situation with gold is different.

Gold: A powerful hedge against upcoming recession

Another full-blown recession is no longer an "if," rather a "when" now. Coronavirus cases are surging in Australia, and the European Union agreed on one of the largest stimulus packages in history, about US$860 billion, to help its countries fight the economic repercussion of the pandemic. With so much money pushed into the global economy and hints of a second wave of the pandemic, the organic economic recovery will be slow.

This is why gold is reaching new highs. The precious metal is just $100 short of the all-time high gold price after the last recession (2011). Investors are buying gold to solidify and anchor down their investment portfolios against the inevitable recession.

Buying and handling the metal itself is a rather tricky business. You can't buy or sell it as easily as stocks, and it has to be kept safe from prying eyes. So, if you are looking to hedge your portfolio using gold, why not choose a golden stock instead?

A golden stock

Kirkland Lake Gold (TSX:KL)(NYSE:KL) is one of the five largest gold-related stocks currently trading on TSX, and it's also one of the most impressive growth stocks in its sector. The $18 billion market cap company is holding on to about half a billion in cash and has a total debt of just $26.4 million. Despite its amazing growth streak, the stock, which is currently trading at $65 per share, has a price-to-earnings ratio of 14.4 and price-to-book ratio of 2.9.

The balance sheet is impressive, to say the least, and the company offers a decent return on equity of 22.9%. It pays quarterly dividends, and though the yield isn't very impressive (1.04%), its dividend-growth rate is. From 2018 to 2020, the company grew its dividends by 625%.

But an even better number to look at is Kirkland's growth. The company grew its share price by 451% in the past three years, resulting in a three-year CAGR of 76.63%. If you plan on anchoring your investments with this golden stock, ideally with no more than 10% of your portfolio, just three more years of this growth pace can propel your investments way into the future.

Let's say you have a $150,000 portfolio as of now, and you liquidate and invest $15,000 in Kirkland, you will have $82,500 back in three years. And if it defies all odds and keeps growing at this pace for just eight years, this one investment can make you a millionaire.

Foolish takeaway

Gold is relatively more stable than silver, which fluctuates very rapidly. This is why, despite the fact that it's nearing its six-year-high values, investors might not choose silver over gold to guard against another market crash. And if you are choosing a stable golden company like Kirkland while its core commodity soars, your odds of growing your portfolio might much better than they would have been if you dabbled in another precious metal.

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