



Market Crash: Could Gold Reach \$3,000 an Ounce?

Description

In May, I'd discussed whether investors should follow the adage that suggested they should [sell their positions](#) and hunker down until later in the year. Investors who stayed in the market have been rewarded. Those who have invested in gold and mining equities have even more to celebrate. The yellow metal has erupted since the market crash in the late winter early spring. Today, I want to discuss whether this momentum can carry gold to another huge milestone.

Why gold prices have soared after the March market crash

Back in February, I predicted that the COVID-19 pandemic had the potential to carry [gold passed the \\$2,000 mark](#). The yellow metal has reeled off record highs in the summer and was last valued at just over \$2,000 per ounce. Its momentum has been curbed in the face of improving economic news on the domestic and global front.

Gold has feasted on positive fundamentals since the early spring. Global economic chaos has been a huge boost for safe havens like precious metals and even digital currencies like bitcoin. Meanwhile, the U.S. dollar has been throttled this summer. The U.S. government has continued to wrestle with the COVID-19 outbreak, driving investor anxiety over its economic prospects for the remainder of 2020.

Could the yellow metal hit \$3,000 an ounce?

Although I'd suggested that \$2,000 an ounce was a possibility for gold in late 2019 and early 2020, this always seemed like the absolute best-case scenario. For gold to reach \$3,000 in the near term, many pieces would have to fall into place.

At the beginning of this article, I'd referenced the investing adage "sell in May and go away." Here's another one those watching gold should remember; "Be fearful when others are greedy."

It's hard not to love gold's fundamentals in this environment, but the yellow metal is due for a breather. Moreover, improved economic data in the United States, Europe, and Asia may push investors away

from safe havens in the second half of 2020, generating downward pressure for gold prices.

Two gold stocks to watch in August

Despite the meteoric rise in the spot price of gold, the gains for gold miners have been somewhat tepid in comparison. Should investors bet on their rise, as higher spot prices will inevitably lead to a boost for revenues and profits?

Yamana Gold is one of the largest gold producers based in Canada. Shares of Yamana have climbed 67% in 2020 as of close on August 10. The stock is up 88% year over year. Yamana reiterated its 2020 production guidance in its second quarter earnings release.

Shares of Yamana last possessed a price-to-earnings ratio of 23, which puts it in solid value territory relative to industry peers. It also boasts a fantastic balance sheet.

Kirkland Lake Gold is not just a phenomenal gold producer. It was one of the best performers on the **TSX** in the 2010s. Interestingly, its performance has lagged its peers in 2020 so far. The stock has increased 20% so far this year. Kirkland Lake also has an excellent balance sheet. Moreover, its shares have a favourable P/E ratio of 17.

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