



Forget Barrick and Buy These Gold Stocks Instead

Description

Gold has rarely been out of the headlines this summer, with prices of the precious metal soaring. **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) leapt more than 11% yesterday on the news that Warren Buffett had made a significant investment in the world-class miner. With prices heading for the atmosphere, US\$3,000 and higher seem almost logical in the topsy-turvy pandemic market. But which stocks should investors buy today?

Despite the bullishness, risk is rising

Weighed upon by the pandemic and new trade tensions, is Canada facing a prolonged recession? Or will the economy bounce back after a workable vaccine gets the nation back on its feet? Some pundits have floated the idea of a V-shaped recession, others a double-dip, or W-shaped recession. Whichever letter of the alphabet the recovery comes to resemble, though, the fact remains that uncertainty is mounting like never before.

Not that the markets even begin to reflect the amount of risk currently rife in the economy. The NASDAQ was thrust into the limelight at the beginning of the week, having hit a new record. The fact that tech stocks are soaring during so uncertain a moment in history is certainly jarring. But then Canada got its own market-shaking headline, as Finance Minister Bill Morneau suddenly stepped down. Uncertainty abounds.

It's conceivable, then, that gold is going to continue trending higher so long as uncertainty characterizes this market. I've written a couple of times about an increase of uncertainty this November around the U.S. election.

Earlier this week, I wrote, "However terrible the status quo may be, the status quo is always what the markets try to preserve." Whatever their allegiances, therefore, Canadians should begin to factor in a [political sea-change](#) south of the border.

Start getting defensive with stocks

Investors should be getting protective at times like these. It used to require pointing out that gold makes a suitable safe-haven investment in times of uncertainty. But in 2020, gold is cannabis. Gold is tech. Gold is whatever asset with massive momentum an investor chooses to name. Even Warren Buffett has got in on the gold game, with **Berkshire Hathaway** taking a sizeable recent position in Barrick Gold.

I would argue that **Newmont** is a better play, though. At least for Canadians going long on [low-risk income stocks](#). The valuation of Newmont is more appealing, and its dividend — while modest — is larger than Barrick's. The latter stock has seen five-day gains of 13%, making this the wrong time to add shares to a position anyway. Newmont has seen 6% gains in the same time period, though, so wait for a dip.

Then again, investors can sidestep the operational risks of a producer and buy shares in a streamer such as **Franco-Nevada**. Weighing up Newmont's 1.5% dividend yield against Barrick's 1% yield may leave Franco-Nevada's 0.7% looking a little anemic. But the streamer is arguably a solid choice for cutting risk even further in a stock portfolio. And, of course, all three names also carry the potential for capital appreciation as gold climbs higher.

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1. Dividend Stocks
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