



## Should You Load Up on This Gold Stock Before the Next Market Crash?

### Description

When the markets go south, one place investors often turn to for safety is gold. The price of gold has been soaring over the past year, rising around 30%, and it hit a high of more than US\$2,000/oz in August. However, thus far, the markets have been going in the same direction as gold. Since March 11, when the World Health Organization declared COVID-19 a global pandemic, the Dow Jones is up around 16%, while gold prices have climbed 18%. The TSX is also up 13% during that time.

But with many stocks reaching highs in recent weeks, the markets are looking overpriced, and they could be overdue for a correction. In all likelihood, the markets could be headed for another crash, not unlike the one they went on in March. As unemployment numbers continue to rise, businesses shut down, and the Canada Emergency Response Benefit comes to an end, as do mortgage deferrals, a perfect storm could be brewing.

It's a nerve-wracking time on the markets as large single-day declines haven't been uncommon this year, and you never know when the next big dip in the markets will be the start of another crash.

### Is now the time to buy gold stocks?

Fearing a crash, investors may be tempted to buy gold stocks in anticipation of another decline in the markets. **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is a top gold stock, and it's been soaring more than 55% thus far in 2020, far outpacing the rise in gold prices.

The company is coming off a strong second-quarter performance with its year-to-date gold production coming in at 2.4 million ounces, which is on pace to meet its annual guidance. Total sales of US\$3.1 billion were up 48% year over year, and net earnings of US\$357 million were up 84% from the US\$194 million that Barrick reported in the same period last year.

Over the past five years, there's been a fairly strong correlation between Barrick's stock price and the price of gold:



The one disadvantage of investing in a stock like Barrick is that there will be other variables that impact its stock that go beyond just the price of gold. And while this stock's been outperforming gold in recent years, it's a risk that investors need to be cognizant of.

## Bottom line

Gold stocks can be a great place to invest in right now, especially in a stock like Barrick, which Warren Buffet's **Berkshire Hathaway** [has also bought shares of](#). With the stock trading at 11 times its earnings and a multiple of 2.3 times its book value, it's also a decent value buy that isn't too expensive. The stock also pays investors a [dividend](#) that yields 1.1 annually which can help boost your overall returns.

But Barrick is just one example. There are many other gold stocks that investors can consider adding to their portfolios. Investing in gold stocks can be a great way to diversify your portfolio while also adding some long-term stability, especially amid a pandemic.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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