3 Reasons Why Canadian Gold Stocks Will Outshine in Q4 2020

Description

The yellow metal took a breather from its solid upward climb and fell 8% since August. Canadian gold stocks, which notably outperformed gold this year, also calmed a bit in the last few months. However, we might see a renewed rally from gold in the current quarter, which could ultimately boost gold miner stocks.

Unstable economic recovery

The pandemic dented the global economic growth in 2020, which pushed investors to a safe haven — gold. Even if many economies have sported a stable recovery in the last few months, it has largely been uneven. The second wave of the outbreak could notably reverse the recovery, which could again put gold in focus.

Amid the rally, the legendary investor Warren Buffett also turned to gold and bought **Barrick Gold** (TSX:ABX)(NYSE:GOLD). The shares of the world's second-biggest gold miner are up almost 50% so far this year. Higher prices and production led to a notable increase in its earnings, which influenced the stock. Notably, Barrick Gold's improving balance sheet is another plus for long-term investors. It is well on track to achieve a zero-net debt position in the next few quarters.

Expected higher Q3 earnings

Importantly, just like the first half of 2020, gold miner companies might continue to report higher earnings for the rest of the year. Many sections of the economy reported earnings plunge amid the lockdowns and travel restrictions.

Only tech and mining companies managed to keep up the earnings growth this year. As economies re-opened in the third quarter, miners resumed their production, which was affected in the light of pandemic-related restrictions. So, TSX gold stocks will likely see fresh highs in late Q4 with expected higher earnings.

Another Canadian miner **B2Gold** (TSX:BTO)(NYSE:BTG) stock has also outperformed the yellow metal this year. Gold has soared more than 20%, while BTO stock has risen almost 65% this year.

B2Gold has achieved a notable production growth in the last few years. It operates three mines in West Africa and one in the Philippines. Interestingly, despite recent stresses in Mali, its key asset in Africa, the company expressed its expansion plans in the area. The company management is aiming for acquisition opportunities and intends to achieve higher output from the existing mines.

Broad market uncertainties

September and October are some of the most volatile months for equities, and we got the flavour of it recently. However, we might continue to see heightened volatility in stocks in Q4, given the U.S. presidential elections in November. The traditional safe haven should remain on the centre stage with large swings in broader markets.

As global central banks stick to near-zero interest rates and print more and more money, gold will likely continue to soar higher.

Instead of gold ETFs, gold miner stocks are better options to play the precious metal rally. They have earnings and also pay dividends. Besides, the outperformance, as mentioned above, speaks for itself.

Canadian gold miner stocks indeed look expensive from the valuation standpoint after their steep rally. However, I think the premium valuation is quite justified, given the superior earnings growth and relative safety offered by them.

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