Gold or Oil? 2 Top TSX Stocks to Buy

Description

Gold and energy stocks have seen a lot of volatility this year. It would be an understatement to say that energy dipped while gold soared. That being said, should you invest in gold or oil stocks?

The continuation of the COVID-19 pandemic means that there is still substantial risk in oil stocks today. Moreover, while gold looks like a solid buy, the high price cautions investors to ask themselves if the price of gold has hit a peak. No one wants to buy at the top of the market.

Here are two stocks to consider buying in November if you want to invest in gold or energy before the year ends.

Franco-Nevada: Gold and oil royalty stock

Franco-Nevada (TSX:FNV)(NYSE:FNV) rose from a 52-week low of $105.93 to a 52-week high of $222.15 after the March 2020 market sell-off. At the time of writing, the stock is trading for $178.72 per share. The dividend yield is 0.79% annually.

Franco-Nevada is a global gold and energy royalty company, operating throughout the United States, Canada, Latin America, Australia, Europe, and Africa. Because the firm invests in gold as well as energy, the stock is a much safer asset to own than shares in a pure energy company.

This gold and oil firm will release third-quarter 2020 results on November 4th. Paul Brink, CEO of Franco-Nevada, made these remarks in the second-quarter financial release:

> “Of our original 56 cash-generating mining assets, 15 experienced some form of temporary curtailment in Q2. All except Golden Highway have since resumed operations. The return to normal operations and higher gold prices makes us optimistic about the second half. . . Our energy assets should benefit now that oil & gas prices have stabilized since the lows experienced in Q2. Franco-Nevada is debt-free, has a growing cash balance, and expects good growth in our gold equivalent ounces over the next few years.”

The rising price of gold seems to have made up for the price decline of oil this year. In fact, Franco-Nevada’s revenue grew during the second-quarter to $136.6 million from $105.9 million in 2019. If you want to invest in gold or oil, this might actually be a good stock to buy in November.

The downside is that the price-to-earnings ratio is already around 120. Thus, this is an expensive stock to buy.

Prairie Sky Royalty: A decent dividend payer

Prairie Sky Royalty (TSX:PSK) fell to a 52-week low of $6.24 during the March 2020 market sell-off. At the time of writing, the stock is trading for $8.09 per share. The dividend yield is 2.95% annually.

PrairieSky Royalty owns crude oil and natural gas royalty interests throughout Canada. On October 26, this energy royalty company announced the fiscal year 2020 third-quarter financial results. Prairie President & CEO Andrew Phillips had this to say about the firm’s performance during the third quarter:

> “PrairieSky’s Q3 2020 results demonstrate the resiliency of our high margin, low cost royalty model with funds from operations of $37.9 million, an increase of 78% compared to Q2 2020. Our diversified portfolio of royalty assets, numerous ongoing secondary and tertiary recovery schemes, and the early stage nature of the Clearwater and Duvernay oil plays will provide PrairieSky owners with long-term growth as capital returns to Western Canada, without the need for future acquisitions or equity issuances.”

Despite Phillips’ optimism, this energy company is struggling along with the entire industry. For the nine months ended September 30, Prairie Sky’s revenue was $76.9 million less than the same period in 2019.

That said, the dividend might not be worth the risk for this stock. If you want to invest in energy or gold, it is probably best to invest through a more diversified route.

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