



1 Stock You Must Own Going Into 2021

Description

If you're not sure what to invest in after the market rallied, you're not alone. The market seems to be taking a pause after it recovered and rallied from the March market crash. Some stocks doubled or even quadrupled from a low.

Many stocks are now trading very close to their near-term fair valuations. Let's not forget that normally, the long-term average market returns are about 7% on the **TSX**. Therefore, the returns this year are anything but normal — no matter if you saw huge drawdowns or upside in your portfolio.

Yesterday's selloff could just be the beginning. The near-term risks include disrupted economies from the pandemic, the potential delays/hiccups in vaccine distribution, and maybe even the vaccine programs won't be as effective as expected.

Getting a sufficient percentage of the population to take an effective vaccine is one way to get [herd immunity](#). If most people are unwilling to take a vaccine, it could take longer for herd immunity to take effect.

Why buy gold stocks

Heightened near-term uncertainty calls for an investment in gold, which is often seen as a safe haven. [Gold stocks](#) are much easier to buy/sell and store than gold bullion.

Besides, it is timely to buy gold stocks now, because they have retreated to better valuations lately due to the positive vaccine news weighing on gold prices.

Increased money printing around the globe, such as for economic stimulus and relief/benefit programs, should act as a support for gold prices.

Among the best-valued gold stocks are **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)) and **Agnico Eagle Mines** ([TSX:AEM](#))([NYSE:AEM](#)).

Barrick Gold stock

Barrick Gold's market cap is about \$54.5 billion. The large-cap gold miner enjoys a recent industry-leading net margin of 24.6%.

Across 20 analysts, they have an average 12-month price target of about US\$34 on the stock for 43% near-term upside. Importantly, analysts believe it has no downside in the near term. The most bearish analyst thinks it can appreciate 14% within the next 12 months. Additionally, Barrick has a 1.5% yield to help add to total returns.

Agnico Eagle Mines stock

The scenario at Agnico Eagle Mines is similar. Analysts think it's cheap. Across 16 analysts, they have an average 12-month price target of about US\$96 on the stock for 42% near-term upside.

Analysts believe it has no downside in the near term. The most bearish analyst thinks it can climb approximately 16% within the next 12 months. Moreover, Agnico Eagle Mines has a 2.1% yield to help add to total returns.

Agnico Eagle Mines has a market cap of \$21.2 billion. Its recent net margin was solid at 21.4%.

The Foolish takeaway

Many investors are underweight gold in their portfolios, but now is [a good time to add them](#) as a hedge going into the year 2021. They tend to have lower correlation to other asset classes.

The key is to size your gold position as a part of your diversified investment portfolio. A 2-5% allocation is appropriate with experts cautioning not to go over 10% of one's portfolio.

One thing to keep in mind is that investors must keep a closer eye on their gold investments. Gold stocks aren't great income vehicles. For example, gold miners have historically cut their dividends when things turn south. And they will do so again.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:AEM (Agnico Eagle Mines Limited)

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