



The #1 Gold Stock to Combat a Market Crash in 2021

Description

Are you worried about a market crash in 2021? I am.

Valuations have continued ever higher, despite economic data that suggests we could be in for a painful reckoning. Across the board, stocks are valued at levels not seen since the dot-com bubble. This stock market rally has turned from red hot to white hot and is showing no signs of slowing. That said, trees don't grow to the sky. At some level, even the best stocks get ahead of themselves from time to time. In this regard, I've got one pick in the gold mining space I think can help add well-needed portfolio defensiveness right now.

Kirkland Lake

Kirkland Lake Gold (TSX:KL)(NYSE:KL) is, in my opinion, the [best gold miner](#) on the TSX right now. The company's balance sheet and asset quality are among the best of its peers. This is a company with a low cost of production and excellent operating fundamentals. Accordingly, a rising price of gold has the potential to take stocks like Kirkland Lake on a parabolic ride. That is, if one is bullish on the trajectory of gold right now.

Unfortunately, Kirkland Lake has not performed as well as some of its larger-cap peers of late. Additionally, it appears capital flows are not correlating to gold miners as they should for a number of reasons. Of late, the rising price of cryptocurrencies has provided a headwind for gold miners. Those looking to hedge their portfolios have looked past gold to alternative assets to do so. These headwinds may persist. However, I believe in the long-term thesis behind precious metals as a store of value and a currency and inflation hedge.

Smaller gold miners such as Kirkland Lake may also lag some of the larger-cap miners, until we see capital flows shift. In my opinion, Kirkland Lake is the best miner to own in this space. That being said, until capital starts to search for undervalued gold miners, there could be a lag in performance.

Conditions likely to remain bullish for gold for a long time

With all that in mind, trillions of dollars of global monetary stimulus broadly bullish for gold stocks. The recent Biden win in the U.S. and the flipping of the U.S. senate to Democrat has shifted sentiment in the sector substantially. Democrats have called for another multi-trillion-dollar stimulus package to be approved. Increased stimulus on the horizon necessitates a lower U.S. dollar and benefits gold. This is because gold and the U.S. dollar are inversely correlated assets. I think we could see persistently higher levels of stimulus, even when this pandemic is over. We've entered a new era of fiscal and monetary policy. Indeed, we're not that far off from a guaranteed basic income in most developed nations. As long as the laws of finance don't get flipped on their head, a lower U.S. dollar and higher levels of inflation should follow.

Bottom line

Kirkland Lake is a great stock to own, either as an effective hedge or a contrarian play on a market crash. The less correlation one has to the entire equity market, the better one will do in a crash. Kirkland Lake's low beta is great in this regard.

I think gold has a lot of room to run. In this environment, Kirkland Lake continues to be one of my top picks for every investor today.

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2. Metals and Mining Stocks

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