



Biden's Inauguration Makes This TSX Company My Top Pick for 2021!

Description

Joe Biden is set to be inaugurated tomorrow. What does this mean for investors?

Well, for one thing, more stimulus. Additionally, interest rates are expected to stay at all-time lows for some time. All the debt that has fueled the stimulus packages of this past year will need to be paid back. Furthermore, expectations of additional extreme levels of stimulus on the horizon make the case that low interest rates are here to stay.

This will have a disproportionately negative effect on the U.S. dollar. Consequently, U.S. dollar-denominated commodities like gold should outperform in the near to medium term.

In this context, my [top high-conviction pick](#) right now is **Kirkland Lake Gold** (TSX:KL).

Gold miners the best way to play gold

For those who are also very bullish on gold, gold miners are the way to play this trade right now. Yes, I think bouillon will do well. That said, gold miners will do disproportionately well amid a rising gold environment.

I view gold miners right now as severely undervalued relative to where the price of gold is today. Financial markets have discounted gold miners of late, as gold miners have historically been poor asset allocators and have done a poor job of creating shareholder value. Accordingly, the current valuation of gold miners is at a 30-year low, relative to the price of gold. I believe this trend will reverse and we'll start to see outperformance from this sector that has underperformed over the past three decades for the aforementioned reasons.

Kirkland Lake the best of the gold miners right now

That said, Kirkland Lake is one of the best-managed gold miners out there today. This is a company with an excellent balance sheet and a management team that is adept at creating value.

In fact, Kirkland Lake is the best gold miner out there by far. It's not the biggest, or sexiest gold miner. Warren Buffett hasn't stepped into this stock as he has with **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) in the past. That said, this is a company with some pretty incredible fundamentals right now.

Kirkland Lake trades at just 14-times earnings, yet the company has one of the strongest balance sheets in the sector. This company has effectively no debt, and a current ratio above two (which for gold miners is excellent). The company's operating margin of 54% and net margin of 33% are among the best in class.

This is a stock which also pays a very nice dividend of almost 2%. That's a heck of a lot better than where bond yields are today. Additionally, given the balance sheet room and the benefit, this stock should see from rising gold prices, more dividend increases could be on the horizon.

This is my highest conviction stock pick right now. Gold bulls or not, investors ought to see the value here today. There isn't much value out there in financial markets today, but there are pockets. Kirkland Lake is the best value-pick with tons of growth upside on the **TSX** today!

CATEGORY

1. Investing
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