Buy Canadian: Snap Up This 1 TSX Stock for a Safer 2021

Description

It's not often a good idea for investors to base their purchases (or sales) on headline blur. The last four years have shown that the media is apt to both over- and understate events, often with a strongly partisan bias. Even the concept of "truth" has been up for grabs. But at least one piece of North American news over the last few days should be of note to Canadian investors. Let's take a look at a big theme that could be emerging.

A new brand of "America First"?

TSX investors had been looking forward – albeit with no small amount of doubt – to a new administration going easy on the trade aggression. To some degree, nothing so far suggests that this will not be the case. But early signs do seem to point towards at least some continuation of the isolationist stance that has characterized North American trade policy over the past four years.

Investors have been given plenty to think about in the first bloom of the Joe Biden administration. From a major pipeline walk-back to a "Buy American" mandate, Canadian investors are no doubt eyeing our nearest neighbour with some trepidation. One way to work with this new brand of uncertainty is to scale back risk in a portfolio. But should investors beef up other areas?

Consider the cross-border trade thesis. The supply chain network between Canada in the U.S. is strongly integrated, after all. Might this be affected by an overtly "Made in America" administration? Shareholders in such stocks as **CN Rail** may not have to worry unduly. Similarly, names such as **Russel Metals** should be shielded from any potential negative effects. But cross-border investors will still need to do their homework.

Canadian gold – an antidote to stock market stress

One way to meet a staunchly pro-American trade environment might be to lean into a pro-Canadian thesis. Investors worried about "Buy American" may want to fight fire with fire and "Buy Canadian." The issue here, though, is that retail and manufacturing could face an uphill battle in 2021's fraught economy. An alternative strategy might be needed, with a low volatility emphasis – and there are few asset types safer than gold.

Canadian gold investing doesn't have to be all about long-term capital appreciation (although this is certainly a big draw). A dividend yield of 1.6% awaits the shareholder who singles out **Barrick Gold** (TSX:ABX)(NYSE:GOLD) for a place in a personal investment portfolio. Cheaper than the average metals and mining stock, Barrick's price tag is 1.7 times book. This represents far better value for money than the average of 3 times book.

Estimated total returns by mid-decade are in the 100% range. While the gold thesis is weakening somewhat off 2020's sudden bull run on the yellow metal, the industrial thesis is still strong. Investors looking to gold purely for its safe-haven status tend to overlook its many practical uses. In summary, Barrick could be a solid place to start when selecting stocks that mix value, safety, and a little bit of growth-plus-dividends.

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