



Time to Buy Gold Stocks?

Description

Precious metals such as gold are interesting investment options. On the one hand, precious metals have a variety of in-demand uses, such as in the construction of solar panels and in many electronics. Then we have the more emotional side of precious metals. Precious metals provide weary investors with a semblance of safety, particularly during times of volatility. After the volatile year we endured in 2020, it begs the question of whether it's a good time to buy gold stocks.

Let's try to answer that question.

Why precious metals, and why now?

Gold prices recently stepped back from their 2020 highs. Part of this stems from the emotional factor I mentioned above. Investors who flocked to the perceived safety of precious metals have witnessed the market rise from the pre-pandemic crash. To put it another way, some profit-taking was expected.

Further to this, vaccination numbers are growing on a daily basis. In the U.S., states are now administering approximately 1.6 million vaccines daily. Canada is off to a slower start, but the result is the same – there is now a light at the end of the pandemic tunnel.

Finally, let's take another look at gold prices. While gold has retreated from its all-time high reached in 2020, pundits continue to see gold prices moving upwards over the long-term. The pandemic ushered in an era of unprecedented spending and debt. Over the longer-term, the impact of governments around the world printing more currency will mean a higher demand for tangible scarce assets such as gold.

In other words, given the recent retreat in prices, longer-term investors have an opportune moment to consider whether they should buy gold stocks.

Time to buy gold stocks — but which one?

An intriguing investment for prospective investors to consider is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). Apart from being one of the largest precious metal miners on the planet, Barrick offers several key advantages over many of its peers.

One of the advantages Barrick has over its peers is debt or rather lack thereof. Barrick adopted an aggressive debt-reduction program several years ago when gold prices were in a slump. That discipline resulted in Barrick boasting net debt dropping 71% to just US\$471 million in the most recent quarter. In the most recent quarterly update, Barrick also announced that it had no major debt maturities until 2033. This is a significant advantage over its peers that is reflected in Barrick's solid earnings cash flow.

By way of example, in the most recent quarter, Barrick saw earnings surge 80% while free-cash-flow surged 150%. That increase was a key factor in Barrick providing a generous 12.5% bump to its dividend last year. While the current 1.63% yield hardly resembles a [solid income investment](#), it does meet or exceed most of its peers.

In terms of production, preliminary guidance issued in advance of the quarterly results set to hit later this week was promising. Barrick hit its full-year guidance for both gold and copper production. Preliminary gold production for the year came in at 4.8 million, representing the midway point of the announced guidance. The same could be said of copper production, which is set to come in at 457 million pounds. The stated guidance was 440 to 500 million pounds.

What should you do?

No investment is without risk. In the case of Barrick, the stock currently trades at a premium over its peers. As of the time of writing, Barrick has a P/E of 16.52. The company will also be reporting earnings later this week, which should be overly positive when compared with the same period last year.

That being said, if you have an appetite for risk and have a long-term timeline, it could be a good time to buy gold stocks. A small position in Barrick could be the [perfect addition to a well-diversified portfolio](#).

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