



ALERT: Why it's Time to Buy Gold Stocks

Description

The last year has been a roller coaster for gold. Prices for the yellow metal reached above US\$2,000/ounce in the summer of 2020, an all-time high. However, this momentum would not last. The spot price of the yellow metal was trading at just over US\$1,730/ounce as of early afternoon trading on March 24. Today, I want to discuss why this may be the perfect time to buy gold stocks at a discount. Let's dive in.

The cryptocurrency boom may have topped out

Digital currencies and precious metals have attracted investors on the hunt for alternative assets in recent years. In the first half of 2020, it looked like gold had managed to outshine crypto. However, Bitcoin and some of its top peers soared to record highs in late 2020 and early 2021. February saw the launch of the first Bitcoin-focused exchange-traded fund on the TSX: **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)).

Bitcoin has rewarded the faithful over the past year, but it is still a [highly volatile asset](#). Its price rose above US\$60,000 earlier in March but has since dropped back below US\$55,000. Predicting a top in Bitcoin has proven to be fool's work. However, its chart over the past six months boggles the mind. A steady dip in Bitcoin and its peers could drive many investors back into the arms of gold stocks.

Barrick Gold is one of the largest gold producers on the planet. Warren Buffett, who has historically strayed from gold, made a large purchase in Barrick in the summer of 2020. However, Buffett's **Berkshire Hathaway** shed over 40% of its stake later that year. Shares of Barrick have dropped 19% in 2021 at the time of this writing. It last had a favourable price-to-earnings (P/E) ratio of 15.

Top gold stocks offer solid value right now

Gold has struggled in recent months, but it is still up in the year-over-year period. Top producers have benefited from improved spot prices. There is a slew of gold stocks that still offer decent value for investors willing to [bet on miners](#) right now.

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) is a Toronto-based gold producer. Its shares have dropped 17% in 2021 so far. The stock is still up 27% year over year. In Q4 2020, Kinross saw adjusted net earnings more than double from the fourth quarter of 2019. Better yet, adjusted earnings also doubled in 2020 compared to the previous full year. The stock also offers a quarterly dividend of \$0.03 per share, representing a modest 1.8% yield.

Shares of Kinross last had a very attractive P/E ratio of 6.9. This is a terrific value in what looks like an undervalued space.

Monetary policy and a weak U.S. dollar are bullish for gold stocks

Jerome Powell, chairman of the United States Federal Reserve, recently said that the central bank had no intention to raise near-zero interest rates in the next few years. Some economists and analysts are openly worrying about the potential for higher inflation as the recovery gets underway. Central banks across the developed world are similarly dovish. This environment is bullish for gold stocks.

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#)) is another top Toronto-based gold producer. Its shares have dropped 27% in 2021 at the time of this writing. The stock is still up 22% year over year.

The company released its final batch of 2020 results in February. Net earnings in Q4 2020 rose to \$103 million or \$0.11 per share compared to \$14.6 million, or \$0.02 per share, in the prior year. Cash flows from operating activities came in at \$181 million, exceeding the averages of the previous three quarters by 25%.

Shares of this gold stock last had a P/E ratio of 21. That still puts Yamana in very solid value territory compared to its industry peers.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:BTCC.B (Purpose Bitcoin ETF)
4. TSX:K (Kinross Gold Corporation)
5. TSX:YRI (Yamana Gold)

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Date

2025/07/21

Date Created

2021/03/24

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