



Worried About a Market Correction? Get Defensive With This Top TSX Stock

Description

The market is extremely expensive right now. Indeed, on a total market capitalization-to-GDP basis, it's never been this expensive — ever.

Accordingly, investors worried about the potential for a [market correction](#) (a serious one at that) may want to diversify right now. Indeed, gold is a great diversifier — always has been.

Yes, gold prices haven't performed as well as gold bugs would have liked last year. Indeed, the drop investors saw during the onset of the pandemic was worrisome. However, I've been pounding on the table for **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) for quite some time as I believe that a bull market in precious metals is underway. In fact, I believe we're only in the early innings of this bull market in gold.

For investors who are optimistic that gold will continue to run, here's why Barrick Gold is an excellent choice.

Analysts bullish on Barrick Gold

I'm not the only one bullish on Barrick.

In fact, Alexander Hacking, an analyst at Citi has a positive outlook on the ongoing turnaround of this company's legacy assets that haven't been performing well. He believes that lower operating costs, changes in management, and a strong balance sheet are some of the positive factors that represent immense growth potential for Barrick.

Additionally, Barrick has built a high-volume, (relatively) high-margin business some would deem as providing sustainable competitive advantage over its competitors. This "moat" is what many investors, such as [Warren Buffett](#), look for in an investment. The fact the Oracle of Omaha exited his short-lived position in this stock a few months back isn't worrisome to investors. Rather, the fact he was in this stock in the first place is indicative of its quality. Buffett only keeps a limited number of stocks in his portfolio and has sold other high-quality names I'm highly bullish on right now.

Accordingly, the takeaway here is that a lot of smart people like this stock.

Gold miners are undervalued right now

From a historical standpoint, gold miners are [very cheap](#) right now. Many might wonder why this is the case.

Well, decades of mismanagement and poor capital allocation made it so. The management teams of many gold miners simply overspent during the good times, and cut costs to excess in bad times. Instead of sticking with a conservative long-term strategy, many companies went overboard in the past. Ultimately, investors paid the price.

It turns out investors have better memories than gold bugs would like to think. Couple these facts with the reality of rising interest rates, and there's some bearish near-term sentiment for gold prices.

Given the amount of leverage gold miners have to the price of gold, that's not a good thing. However, I think gold prices have many strong catalysts right now (weak U.S. dollar, continued stimulus, and negative real rates).

Thus, investing in gold miners like Barrick is a bet that fundamentals will return to normal, eventually. I think this is going to be the case.

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1. Investing
2. Metals and Mining Stocks

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