



Today's Top Buy: Kirkland Lake Gold

Description

A massive wave of stimulus has injected more than just money into North American households. Indeed, a wave of optimism has hit Main Street. Investors now are more bullish than ever regarding the economic outlook coming out of this pandemic right now.

Accordingly, inflation expectations are rising. Given the fact most central banks have indicated they'll keep rates near zero for some time, that means negative real yields.

Of course, for investors in gold, that's a great thing.

However, rising bond yields have poured cold water on this notion for the first time in a while. The idea of gold as an inflation hedge seems to be losing its appeal with some investors. Accordingly, the performance of this commodity has been underwhelming this past year.

That said, I believe that the stock market will eventually factor in the catalysts that are in favour of gold right now. Indeed, I don't see real yields dissipating for some time. In this context, investors may be well served by adding some exposure to [world-class miners](#) like **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) right now.

Kirkland's fundamentals represent deep value

Besides the aforementioned bullish macroeconomic backdrop, Kirkland Lake is [dirt cheap](#) right now. Trading below the \$45 mark, it has a valuation multiple of 15 times earnings. That's a rock-bottom valuation compared to where the broader market sits in terms of valuation. Additionally, relative to the price of gold, miners are historically vastly undervalued.

Furthermore, Kirkland Lake has one of the best balance sheets among gold miners today. This is a company with virtually no debt. Cash flows are surging due to higher gold prices, and the company doesn't know what to do with all its cash (except continue to raise its dividend dramatically). These factors are possible because of Kirkland Lake's high-quality mines and excellent margins on production.

Indeed, I am convinced that this is the best option in this space right now purely from a fundamental standpoint. Kirkland Lake investors should simply continue to sit pretty. Eventually the market will value this company at what it's worth.

Bottom line

If you're bullish on the trajectory of gold over the medium to long term, Kirkland Lake is a great buy.

However, even if you're bearish on gold, Kirkland Lake is still a buy. Its stock is pricing in a catastrophic collapse in gold prices right now. Even factoring in such a decline, its got some of the best-quality assets out there. This is a company with an absolutely massive margin of safety that is extremely hard to find in any stock right now.

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Date

2025/08/20

Date Created

2021/04/10

Author

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