



The Best Gold Stocks to Buy Now

Description

Gold stocks have been on the move lately, inching higher over the past two to three weeks. A bottom may be in, which means gold stocks can move higher.

A formidable force that could drive gold prices higher is the money printing from central banks around the world. This act is devaluing fiat currencies and should push gold prices higher. This will, in turn, push gold stocks higher.

Franco-Nevada

When it comes to getting gold exposure, **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) is the safest way to do so in the stock market. The company doesn't explore, develop, or operate any mines, which can quickly become super costly for miners.

Instead, the gold stock owns a growing portfolio of royalties and streams that provide it with exploration upside and leverage to the gold price. This results in a low-cost business that has no debt, gushes free cash flow, and is able to maintain an increasing dividend.

[Franco-Nevada](#) has increased its dividend for 13 consecutive years with a 10-year growth rate of about 13% and five-year growth rate of roughly 4%. Recent dividend increases have also been in the 3-4% range, which beats inflation.

Importantly, the gold stock's long-term returns are outstanding. For example, its five-year returns are about 18% per year on the **NYSE** and +16% on the **TSX**.

Because of Franco-Nevada's safety and quality, it commands a premium valuation. Therefore, it also has lower upside expectations than the following stocks. Specifically, analysts currently have an average 12-month price target of US\$159 on the stock for near-term upside potential of about 16%.

Barrick Gold stock

Large-cap gold miners like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) are also good considerations for gold exposure. Thanks to higher gold prices, Barrick brought in 30% higher in revenues to almost US\$12.6 billion. From the pandemic market crash low, the stock climbed as much as 120% from trough to peak.

The gold stock gave a glimpse of what could be coming when it reports its first-quarter results on May 5. The average market price for gold in the quarter was US\$1,794 per ounce. For copper, the average market price was US\$3.86 per pound.

The big picture is that Barrick expects to achieve its 2021 production targets with the gold and copper production higher in the second half of the year.

Barrick Gold stock pays a decent dividend yield of 1.6%. At just under US\$22 per share, analysts believe it has 12-month upside potential of about 38%.

Gold stocks with greater upside?

In a gold rally, smaller gold miners can deliver greater upside compared to bigger gold miners. However, smaller stocks tend to be more volatile than their bigger peers.

For example, **Kirkland Lake Gold** ([TSX:KL](#))(NYSE:KL) was able to increase its revenue by 78% last year to nearly US\$2.5 billion. From the pandemic market crash low, the stock appreciated as much as 180% from trough to peak.

Kirkland offers a nice dividend yield of about 2%. Across 11 analysts, the gold stock's 12-month average price target is US\$56, which represents near-term upside potential of about 51%.

The Foolish takeaway

Returns often come hand in hand with risks. Gold bulls will find Franco-Nevada to be among the safest gold stocks to own for the long term. Because of its low-risk nature, it logically trades at a higher valuation than the rest. While gold miners Barrick and [Kirkland Lake Gold](#) are higher risk, they are also expected to deliver greater returns correspondingly as a result.

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2. NYSE:FNV (Franco-Nevada)

3. TSX:ABX (Barrick Mining)
4. TSX:FNV (Franco-Nevada)

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