



Why Canadian Gold Stocks Are Tanking

Description

All big Canadian gold miners' stocks have been falling sharply this week, despite the broader market posting a fresh record high on Wednesday. The shares of **Kinross Gold** ([TSX:K](#))([NYSE:KGC](#)), **Kirkland Lake Gold** ([TSX:KL](#))([NYSE:KL](#)), and **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)) were among the worst-hit gold stocks this week. While Kinross Gold stock has lost 13% on a week-to-date basis, Barrick Gold and Kirkland Lake Gold have shed more than 6% each for the week. A massive drop in gold prices is the main reason for gold stocks' sharp losses this week.

So what?

Gold prices slipped to below US\$1,800 on Thursday for the first time since May 6 and now approach May's lowest level of US\$1,766. Experts believe if the prices drop below this level, the precious metal might see more selling pressure — taking gold prices down further. The profit margins of Barrick Gold, Kinross Gold, and Kirkland Lake Gold are highly dependent on gold prices. A sharp drop in the yellow metal prices could badly affect their profitability in the coming quarters.

Now what?

Most gold stocks have largely traded on a positive note in the last year, as the COVID-19 woes took the gold prices to their all-time high near US\$2,070 in August 2020. The rally was mainly triggered, as the demand for bullion usually tends to go up in times of uncertainty.

These gains in the precious metal prices boosted gold miners' near-term earnings and margin growth outlook. That's one of the reasons why Barrick Gold stock and Kinross Gold stock rose by 20% and 52% last year. However, the scenario has changed in 2021 so far. A sooner-than-expected global economic recovery is leading to a trend where investors are preferring to invest in other high-growth stocks instead of seeking a safe haven in gold.

Another big blow to the precious metal bulls came yesterday when the U.S. Federal Reserve [pointed](#) towards a possibility of a rate hike in 2023. This appreciated the value of the U.S. dollar value against

major currencies and also took bond yields higher — intensifying a sell-off in gold prices.

Currently, several factors point towards a weaker bullion market in the coming quarters. This trend is likely to take the shares of Canadian gold miners further down in the coming months. The best way to minimize the risk at the moment would be to diversify your stock portfolio by adding some undervalued [high-growth TSX stocks](#) from other industries to it right now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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Author

jparashar

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