



## The Best Gold Stock for 2021

### Description

**Agnico-Eagle Mines** ([TSX:AEM](#))([NYSE:AEM](#)) is starting to look like one of the best gold stocks to buy in 2021. A 15% pullback year to date presents an opportunity to buy the stock at a relative discount. The surge in inflation should push all gold stocks higher.

Here's a closer look.

### Gold stocks as inflation hedges

Gold has always been considered a safe haven. In theory, the shiny yellow metal should retain its value if the value of fiat currencies declines. Over the past year, governments across the world have printed more fiat currency than ever before, which probably means they're less valuable than before.

This should be reflected in the higher costs of living or inflation. Canada's inflation rate hit 3.6%, the highest rate in over a decade. Experts believe the inflation rate could accelerate further, as the economy reopens in the months ahead. In this scenario, gold prices could skyrocket. That's a tailwind for gold miners like Agnico.

### Agnico robust pipeline

As a gold miner, Agnico is well positioned to profit on gold prices stabilizing above the \$1,800 an ounce level. The gold exploration and mining company boasts of operations in regions that are safe. With [mining operations](#) in North America, Europe, and Mexico the company is well positioned to embark on aggressive mining operations without disruptions to take advantage of the high gold prices.

Agnico boasts of a strong pipeline of gold and silver projects that reduce reliance on a single project for revenues and long-term shareholder value creation. Additionally, the company boasts of an industry-leading cost structure that affirms its strong cash flow base and dividend increase.

## Dividend yield

Over the past five years, Agnico has increased its dividend offering at an annual growth rate of 8%. Last year alone, it nearly doubled its dividend offering, affirming its ability to generate free cash flow. A 2.25% dividend yield isn't exciting, but if gold prices appreciate, investors could expect further dividend boosts in the near future.

Agnico is a solid buy after the recent pullback, as it has the ability to continue delivering [high-quality growth](#) while maintaining high-performance standards. Additionally, the stock is relatively cheap as it is currently trading with a price-to-sales multiple of five and price-to-book multiple of three.

## Bottom line

Higher-than-expected inflation could boost the value of gold. In previous inflationary cycles, gold has served as a reliable safe haven. If we're in the middle of such a cycle now, investors should have gold and gold miners on their watch list.

Agnico-Eagle Mines is a top pick, simply because it's overlooked. The stock is trading at a relatively reasonable valuation. While profits are expected to jump. Over the past few years, the team has managed to boost dividend payouts consistently. That's what makes it an ideal gold stock for investors seeking safety and passive income.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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