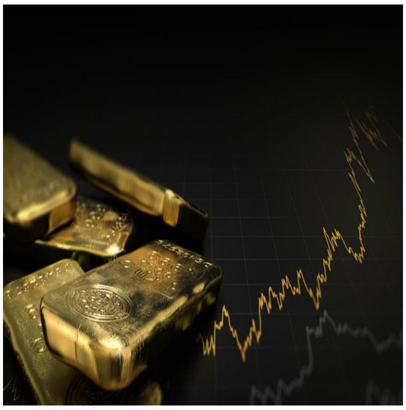

Buy These 3 Gold Stocks if You Are Worried About a Correction

Description

The shiny allure of gold is just as powerful as the tangible solidity of hard assets like real estate, especially when you are disenchanted with the stock market. Gold, whether you buy the metal itself or invest in it through golden companies and ETFs, can provide a powerful hedge against market fluctuations and volatility.

Even though a correction might not be on the horizon yet, if you believe one is coming around, you might consider "gilding" your portfolio.

An intermediate gold producer

Toronto-based **Torex Gold Resources** (TSX:TXG) has been around since 1980. It has a market capitalization of $1.2 billion, making it more significant and sizeable compared to venture capital gold companies but a smaller player compared to gold giants in the TSX. Still, the company reacted nearly the same way after the pandemic crash — i.e., it had robust growth right after the market crash.

The stock rose 110% within four months of the crash, and it has been coming down relatively swiftly ever since achieving that peak. This makes it a discounted bargain from both a price perspective, but also from a valuation lens, since the company is currently trading at a price-to-earnings of just 4.6. The company has mining operations in Mexico.

A gold and silver mining company

Mining giants like **Kinross Gold** (TSX:K)(NYSE:KGC) tend to absorb the worst of what the sector has to offer when the stock market is going strong. But it also makes them more likely to explode when the market is in trouble (like during a correction). After the last crash, the stock rose by over 180% in a matter of months to reach its 2020 peak.

But the stock has been sliding down continuously since then, making it more discounted and magnifying the yield, which is now 1.4%. It's one of the senior gold mining companies headquartered in

Canada and has operations in six different countries. It has five mines in the Americas alone, and they are the focal point of Kinross's production right now.

An aristocrat

There are relatively few dividend payers and even fewer aristocrats in the sector, so old and established aristocrats like **Franco-Nevada** (TSX:FNV)(NYSE:FNV) stand out. This golden aristocrat has been raising its payouts for 13 consecutive years, but the yield of 0.6% is still not a very attractive or compelling number.

But Franco-Nevada offers more. It gives you capital appreciation potential, even when the stock market is strong. It has been relatively erratic but still a consistent grower compared to most other gold companies in the last three years. One reason for this distinctive growth pattern is the nature of its business. The company doesn't mine gold itself but instead buys royalties and streams from other mining companies.

Foolish takeaway

Gold companies tend to thrive during TSX bear markets, and they slow down once the stock market building momentum. Even though the proper market crash is behind us, a relatively swift recovery might result in an upcoming correction (though it's difficult to pin down a specific time), giving gold companies a boost in valuation.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:FNV (Franco-Nevada)
4. TSX:K (Kinross Gold Corporation)
5. TSX:TXG (Torex Gold Resources Inc.)

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