



Should You Buy or Avoid Gold Stocks This Year?

Description

The spot price of gold rose above the US\$1,800/ounce mark during today's trading session. In February 2020, I'd [discussed](#) why the COVID-19 pandemic had the potential to spur a run for the yellow metal. Indeed, gold would rise above a record US\$2,000/ounce by the middle of the summer. However, that momentum would wane in the face of rebounding stocks and a major resurgence for the cryptocurrency space. Today, I want to discuss whether gold stocks are worth stashing in the latter half of 2021.

Are conditions bullish for gold stocks?

This February, I'd looked at [three reasons](#) the current environment was bullish for gold stocks. The Delta variant has led to a sharp rise in COVID-19 cases in the developed world, even in countries with high vaccination rates. These unfortunate numbers mean that further restrictions and lockdowns may be in our future in the fall and winter. This will likely slow down the economic rebound North America has enjoyed in recent months.

Central banks have committed to historically low interest rates and fiscal aid to their citizens. This climate is unlikely to change in the near term. Investors should prepare for this reality. Gold stocks have performed well in the face of these conditions in the past.

Two gold stocks I'm looking to snatch up before the fall

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is one of the largest gold stocks on the planet by market cap. Its shares have dropped 19% in the year-to-date period as of early afternoon trading on August 23. The stock is down 33% from the prior year.

The company released its second-quarter 2021 results on August 9. Barrick suffered a mechanical mill failure at one of its major projects, but it is still on track to meet guidance for the full year. Its realized gold price of US\$1,820/ounce was up from Q1 2021 and Q2 2020. Meanwhile, adjusted net earnings were reported at \$513 million — up from \$415 million in the prior year. Adjusted earnings per share

rose to \$0.29 compared to \$0.23 in Q2 2020.

This gold stock last had a price-to-earnings (P/E) ratio of 13. That puts Barrick in [favourable value territory](#). Moreover, it offers a quarterly dividend of \$0.09 per share. This represents a modest 1.7% yield.

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#)) is a Toronto-based gold producer. This gold stock has dropped 28% in the year-to-date period. The company unveiled its second-quarter 2021 results on July 29.

The past quarter was another strong one for Yamana. Like Barrick, it benefitted from the year-over-year increase in the spot price of gold. However, these numbers will slip if gold cannot gain momentum in the third and fourth quarters of fiscal 2021. Yamana also posted strong cash flows from operating activities of \$153 million. It reported adjusted net earnings of \$70.7 million, or \$0.07 per share.

Shares of this gold stock possess a P/E ratio of 24. This means the stock offers solid value relative to its industry peers. It offers a quarterly dividend of \$0.03 per share, representing a 2.7% yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

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Author

aocallaghan

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