



Gold Stocks and Market Volatility: When Should You Invest?

Description

One of the most controversial areas of the market will always be precious metals. We've been speculating, hoarding, and selling gold and other metals since we first started extracting them. And whenever there's the slightest sign of volatility in the market, investors will flock back to gold stocks.

You may not see it, but there's still plenty of volatility

Following the pandemic-fueled crash last year, the market has been on an absolute tear. There's a multitude of reasons for those gains. One of those reasons is overestimating the impact that the pandemic has had in certain key areas.

This led to better-than-expected results across the board in those segments, such as financials. Other areas of the market also hastened the inevitable transition towards conducting business online, reaping rewards. Businesses that were already operating online or supporting online commerce have also seen significant gains in the past year. A similar case can be made for grocery stocks.

Still, I would be remiss if I didn't mention the significant areas of the market that are still unable to transition online or are left to absorb massive COVID-era costs. Prime examples of these are airlines, hotels, cruise ship companies, movie theatres, sports, and restaurants.

In short, any business model that was reliant on groups of people gathering in small (enclosed) areas, is either closed or operating at a greatly reduced capacity.

Oh, and let's not forget those traditional brick-and-mortar retailers. While largely reopened now, those stores could see yet another closure if the number of Delta-variant cases continues to surge.

In other words, there is still an insane amount of volatility, despite the happy surge we're seeing on the market. That is reason enough to consider diversifying with one or more precious metal stocks. In other words, diversify your portfolio now *before* that inevitable [downturn](#) does happen.

Does buying gold stocks make sense?

During times of volatility, investors have often turned towards the perceived safety of gold. To be clear, the precious metal is not immune to volatility either, and a bar of bullion will not suddenly grow into two bars if left alone for a decade.

Instead, let's look at precious metal miners, specifically, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). Barrick is one of the largest precious metal miners on the planet, with operations in a dozen countries around the world. Those mining operations include not only gold but also copper and other metals. This adds an additional element of diversification is an important factor that is often overlooked.

Counter market volatility with strong results and growth?

Barrick provided an update for the most recent quarter earlier this month. In that report, Barrick reported net earnings of \$411 million, reflecting strong gains over the \$357 million reported in the same quarter last year. An interesting point here is that gold prices were higher last year. This highlights the efforts made by Barrick to both bring costs down and drive production higher.

The company also depicted a very much improved balance sheet, with a cash balance in excess of \$5 billion. This was a stark contrast from just a few years ago where Barrick was straddled with billions in debt.

Overall, the stock is well poised to meet (if not surpass) its guidance for 2021, which will be good news for investors. Additionally, that on-track guidance is based on a US\$1,700 gold price, which is lower than the current market price.

In other words, Barrick is in a very good position. Should market volatility increase further and drive the price of gold further up, Barrick could see further gains.

Speaking of gains, prospective investors should also take note of Barrick's dividend. The company offers a quarterly payout that is based on trailing results. At current levels, that works out to a yield of 1.78%. That may not be the [highest yield](#) on the market, but it is a respectable return.

Final thoughts

No investment is without risk. Barrick offers investors an opportunity to diversify their portfolio with a stock that will see both growth and income-earning potential. That potential will surge along with gold prices should market volatility continue to increase.

In my opinion, a small position in Barrick would be a great addition to any [well-diversified](#) portfolio.

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