



Top 2 Gold Stocks to Buy Now

Description

Gold stocks have been stagnant for much of the past year as the yellow metal struggles to break through. However, growing concerns about the economy and supply chains could compel investors to seek safe assets in the near term. If you share these concerns, here are the top gold stocks to buy right now.

Gold stock #1

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) is struggling to hold on to gains accrued last year at the height of the panic gold buying spree. The stock has shed more than 40% in market value from its all-time highs. In addition, the stock is down by more than 20% year-to-date and under immense pressure.

The sharp decline comes on gold prices tanking from almost US\$2,100 registered last year to about US\$1780 per ounce today.

Kinross generated metal sales of about \$1 billion (C\$1.27 billion) in the second quarter, leading to adjusted net earnings of US\$156.5 million (C\$198 million). The company expects to produce 2.4 million ounces of gold in 2021, which should increase to 2.7 million ounces in 2022 and 2.9 million ounces in 2023. Production cost is expected to decline in 2022 to levels reached in 2020, which should allow the company to generate more profits.

Kinross Outlook

Gold prices are more than likely to surge as the precious metal is often used as a hedge against such uncertainties and disruption. A spike in gold prices would more than benefit Kinross as it moves to ramp up its gold production.

Kinross remains well-positioned to benefit from its high-quality production and low-cost mines as gold prices hold above the US\$1700 an ounce level and increase. At its current valuation, the stock is cheap, with a price-to-earnings ratio of five. Additionally, Wall Street and Bay Street analysts are optimistic about the stock, with the highest target implying an upside potential of 135%.

Gold stock #2

Kirkland Lake Gold (TSX:KL)(NYSE:KGI) is the second top gold stock you should consider. Like the rest of the industry, this stock is down by about 30% from its all-time high. However, the pullback was less intense than other major gold stocks year to date. Kirkland's fundamentals could be the reason for this relatively better performance.

A rock-solid balance sheet is supported by high-margin production and well-operated high-grade mines. Additionally, Kirkland Lake gold stands out from the pack, given that it has zero debt and massive capital reserves of \$858.37 million in cash.

The company expects to produce 1.3 million ounces to 1.4 million ounces this year. Given its production outlook, this [gold stock is undervalued](#) even if the price of gold remains stagnant.

Kirkland's valuation

While Kirkland Lake Gold trades at a price-to-earnings ratio of about 13. That's higher than most gold stocks but justified given its fundamentals. A rock-solid balance sheet means the company is well-positioned to outperform its peers.

Additionally, Kirkland is well-positioned to boost production buybacks and dividends in the near term. That should boost its relatively low dividend yield of 1.3%.

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