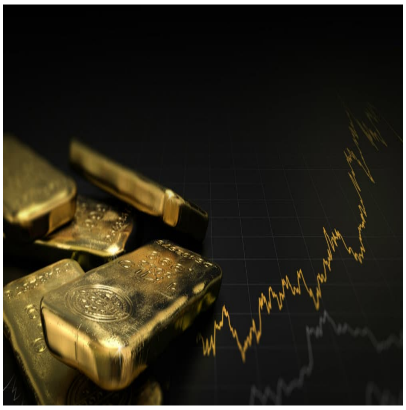

3 Gold Stocks That Could Hedge High Inflation

Description

About two weeks ago, inflation in Canada reached an 18-year high level, crossing the 4% threshold for the first time in a decade. And one expert suggested that the Bank of Canada might let the inflation run wild for a while and keep interest rates low in order to boost growth. While its macro impact might be positive, high inflation is likely to have a negative impact on most Canadians.

Inflation also impacts investors, albeit in a long-term way. It doesn't keep an investor's portfolio from growing at a certain pace (unless it relies heavily on interest rates), but it *does* move the "finish line" a bit further away, distorting future affordability projections.

Gold is a classic hedge against inflation, and if you are not into the shiny metal itself, you can buy it through the "gloves" of gold stocks.

One of the largest gold companies in the world

Barrick Gold (TSX:ABX)(NYSE:GOLD) is one of the largest gold mining companies in the world. The company mines gold and copper and has operations in 13 countries. The company aims to become a valued gold mining business, and it's moving towards this aim by identifying and acquiring some of the most promising assets around the globe.

The stock, however, is not *as* promising as the asset it represents. In the last five years, the stock has actually gone down 2.5%, which is good for the yield that is now 2% but bad for capital appreciation. You can, however, take advantage of the spike in gold prices, especially when the market goes down. The stock went up over 80% during the 2020 crash.

A U.S.-based gold company

Argonaut Gold (TSX:AR) is a relatively small company, especially when compared to a giant like Barrick. It has a market capitalization of $880 million and is currently trading at just $2.7 per share. The company has fallen far from its 2012 peak valuation, but it has shown decent growth after the pandemic. It has grown over 200% since its market crash valuation (or 280% for investors that cashed out at the 2021 peak).

The company has functional mines in Mexico, a production stage mine in the U.S., and exploration stage mines in both Mexico and Canada. The company focuses on low-cost production and simple projects, but as a gold mining company, it's directly exposed to the asset. Thanks to its relatively "lightweight" stock, the company can offer more growth potential (during market crashes) compared to giants in the industry.

A gold royalties company

If you are not looking for direct exposure to the asset, you might consider investing in a gold royalties company like **Abitibi Royalties** (TSXV:RZZ). This small-cap gold company has offered amazing returns to its investors, especially in the last five years. The half-a-decade returns have been almost 270%, and the best part about this stock is that it's still going up when most gold stocks are going through a correction phase.

The company also pays dividends, but its 0.65% yield pales in comparison to its growth potential. The company spun out of **Golden Valley Mines**, and its five-year returns are eerily close to the parent company, although the pattern is quite different. Abitibi offers relatively consistent growth, which is unusual for a gold stock.

Foolish takeaway

Gold holds its value, even when the currency doesn't. That's one of the main attractions of the shiny asset. But if you invest in the right gold stock (ideally, when it's undervalued), you can get more than just a safety "hedge." You can get growth and dividends as well. A good idea would be to keep your portfolio light when it comes to gold. Otherwise, it might undermine its growth potential during a strong stock market.

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1. Dividend Stocks
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