Rising Inflation: Is it Time to Buy Gold?

Description

Statistics Canada recently revealed that inflation rose to 4.4% in the month of September. This represented an 18-year high. Understandably, many Canadians are disturbed by surging CPI. Investors will also be faced with mounting questions in this environment. Today, I want to discuss the current environment. Could this be the perfect situation for a bounce back for gold? Let's dive in.

Should investors be worried about inflation?

Earlier this month, I'd discussed how investors could look to take advantage of rising inflation rates. The biggest driver of inflation was the huge increase in gasoline prices in September. Indeed, gas prices rose 33% over the past year. Meanwhile, the price of new automobiles rose 7.2%.

Rising inflation should spur investors and especially conservative savers into action. Wage growth has fallen well below inflation rates in Canada and much of the developed world. The best way for citizens to keep up is by staying in the market. However, is gold a viable option in this climate?

Why gold may be on the cusp of a rebound

Last week, I'd looked at three cheap gold stocks that were worth a look. The **S&P/TSX Composite Index** rose marginally to close out the week on October 25. Meanwhile, the base metals was one of the sectors that finished the day in the red.

Historical analysis tells us that gold is a strong performer during periods of high inflation. Central banks have been mealy mouthed on the subject across the developed world. However, it is painfully clear that these entities are not about to embark on austerity and a major rate tightening cycle.

So far, gold has not kept up its end of the bargain. However, I'm still very interested in stashing the yellow metal. Inflation is here to stay, and gold could offer some much-needed protection in the months and years ahead.

Here are some gold stocks to snatch up as inflation surges

Barrick Gold (TSX:ABX)(NYSE:GOLD) is one of the largest gold producers on the planet. Its shares have dropped 23% in 2021 as of close on October 22. The stock is down 31% year over year.

On October 14, Barrick reported preliminary third-quarter sales of 1.07 million ounces of gold and 101 million pounds of copper. Moreover, preliminary Q3 2021 production reached 1.09 million ounces of gold and 100 million pounds of copper. The company said that it is on track to achieve 2021 guidance.

Shares of this top gold stock possess a price-to-earnings (P/E) ratio of 13. That puts Barrick in favourable value territory.

Kinross (TSX:K)(NYSE:KGC) is another top producer that is based in Toronto. This gold stock is down 23% in 2021 and its shares have plunged 30% from the same period in 2020. Investors can expect to see its next batch of results on November 10.

In Q2 2021, the company delivered metal sales of $1.98 billion in the first six months of the fiscal year — up from $1.88 billion in the previous year. Adjusted net earnings increased to $349 million in the year-to-date period over $321 million in the first six months of 2020. This gold stock possesses a very attractive P/E ratio of 6.2. Moreover, it offers a quarterly dividend of $0.03 per share. That represents a 1.9% yield.

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