



2 Mining Stocks to Buy for Contrarian Returns

Description

Not every stock that moves against the general market is a contrarian stock. That's because as a representative of the actual market, a stock market is made up of a variety of assets, representing multiple industries, each with its own trends and patterns. Some industries thrive based on seasonality or demand spikes; others retain slow growth momentum for longer periods.

And you also have to take the weight of the sector in the TSX into account as well. Heavyweight sectors like finance and energy have the potential to sway the market more, even when they are moving contrary to the rest of the market, than relatively lightweight stocks.

But there are stocks/assets you can look into for true contrarian returns. These are business segments that naturally move differently or opposite to the general market, thus giving you a chance to make money, even when the rest of your portfolio sinks. The higher gains are sometimes even enough to offset any losses you might have sustained.

Ironically, there are two very different mining stocks that offer contrarian returns.

A gold mining stock

Gold tends to thrive when the stock market sinks, because many investors turn to the tangibility of this shiny metal whenever paper stocks and paper currency takes a tumble. **Torex Gold Resources** ([TSX:TXG](#)), through its mining operations, offers [direct exposure](#) to the underlying metal and its market.

Despite the \$1.25 billion market capitalization making it a relatively smaller player in a sector full of giants (on the TSX), the company is the second-largest gold producer in Mexico, where it has two of its mining operations. Torex retains 100% ownership of both sites, though one is producing and the other is literally a mine full of prospects that the company intends to fully develop into a production mine by 2024.

Torex is capable of sharp rises, and if the history is any indication, it's ideally poised to spike against an energy slump, which is likely to be heavy enough to weigh down TSX as well. So, buying it now

when it's trading at a price-to-earnings ratio of 3.8 might be a smart move.

A crypto mining stock

While not contrarian, in the same way, crypto mining offers a lot of parallels to gold. It moves irrespective (mostly) of the broader stock market, and a lot of institutional investors are adding crypto to their portfolios for this very property. So, you can buy [crypto mining stocks](#) like **Bitfarms** (TSXV:BITF) for contrarian returns.

The company is farming/producing Bitcoin at a relatively minimal cost. It spends about US\$9,000 in producing one Bitcoin, which, at the time of writing this, is trading at above US\$60,000. At less than one-sixth the cost, the company is quite profitable right away, but it can control the revenue and profit spikes by unloading its crypto cache in the market strategically.

Unlike gold, which can be a difficult asset to buy and hold directly, you *can* buy Bitcoin digitally. But if you wish to see your crypto assets grow in tax-sheltered accounts, a crypto mining stock like Bitfarms is a great option.

Foolish takeaway

If you had bought Bitfarms exactly 12 months ago, you would already be sitting on 1,600% growth. Yet the stock can still grow quite a bit following the growth of the underlying asset. But for contrarian returns, you might consider waiting for the Bitcoin (and the stock) to dip. Torex Gold, however, can be bought right now, and you can unload it when it peaks during a [market crash](#).

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2. Metals and Mining Stocks
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