



1 Unreasonably Battered Stock to Buy Cheap Now

Description

Not every stock that has been battered without an obvious reason has ample recovery potential, but a few do. The trick to split potential gems from “dead rock” is to look into the fundamentals of the battered stocks and figure out whether they are sound enough businesses to recapture investor attention when the market conditions are right.

A lot of times, what you might consider an unreasonable beating down of stock actually has reasons beyond the scope of the stock or the underlying company itself. Sector-wide tremors can often topple apparently stable stocks down to new depths.

But that also works in reverse, when attention and a demand spike in the sector can *revive* the stock, giving you the option to turn in a neat profit. And to maximize that return potential, you have to trust in the stock when it's downtrodden.

One such stock is **Equinox Gold** ([TSX:EQX](#))(NYSE:EQX).

A stock in a slump

Equinox Gold has been in a slump since August 2020. And it's not the only one [in the sector](#) that has experienced this downfall. Gold stocks spiked following the 2020 market crash, as the investors started actively hedging their portfolios with the tangibility of gold. The shiny metal saw its prices rise to new heights, but the demanding hike and the glory it offered to the companies and their stocks were relatively short-lived.

Equinox Gold rose over 90% in fewer than six months, and then it started coming down. The slump reached its supposed depth (so far) in August 2021, concluding a 54% fall since the spike in 2020. The stock is still trading at a 34% discount from its all-time peak, and the value is just right — even lower compared to some larger players in the sector.

The stock *has* started to move upwards again. And if it's gearing up for another growth run, as it had before the pandemic (between 2019 and 2020), it might be a good idea to consider adding this stock to

your portfolio.

The company

Equinox Gold is a Vancouver-based company with an impressive presence in North and South America. With operations in four countries: Canada, the U.S., Mexico, and Brazil, its geographic portfolio of assets is well diversified. It's also investing in five growth projects and working with partial stakes.

[The company](#) has access to 16.4 million ounces of proven reserves and over 30 million ounces of measured reserves. Even if we take its ambitious goal of producing one million ounces of gold every year, it would be over a decade before the company runs out of its reserves, and by that time, many more reserves are expected to become part of its portfolio.

Foolish takeaway

Equinox Gold is not worth considering only because it's a battered-down, [undervalued stock](#). It's a good holding to consider, because, despite being a gold mining company, its stock has performed well in stronger stock markets as well and can offer more than just a hedge for your portfolio when the stock market is down.

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1. Investing
2. Metals and Mining Stocks

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