



Taking a Look Back at 2021: Gold Stocks to Buy

Description

The end of the year is finally upon us. It's been another pandemic-ridden, volatile, roller-coaster type of year to look back on. We can finally take a huge sigh of relief and [begin to look forward](#) to all that 2022 has to offer. Before doing that, let's look back at 2021 and how some gold stocks fared this year.

The significance of gold

Gold is a precious metal that we've been fighting over since we began extracting it from the earth thousands of years ago. And while the tools and methods used to extract gold have changed, there's one common theme that has remained constant.

Gold remains a solid store of wealth that investors and even governments turn to, particularly during times of volatility.

If we look back at 2021, we can see that gold prices started out 2021 on a high. The price of the shiny metal topped US\$1,960 per ounce back in January. It then retreated to the mid- to low US\$1,800s, where it has remained throughout most of the year. Fortunately, this is a far cry from the sub-US\$1,200s that we saw several years ago.

Here's a shiny opportunity

The current gold price allows miners to maintain a production level that makes them fairly profitable. **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) comes to mind as a perfect example of this, and, more importantly, a perfect investment opportunity.

Again, if we take a look back at 2021 performance, Barrick looks set to end 2021 down by over 15%. This is mind-boggling considering the success that Barrick has had in recent years — not to mention that it's been paying down its debt. Thanks to some impressive acquisitions, Barrick operates some of the best mines on the planet.

In the most recent quarterly update, Barrick reported an operating cash flow of US\$1,050 million. The company earned US\$347 million, or US\$0.20 per share in the quarter.

In terms of production, Barrick is well on track to meet its guidance for the year. In the most recent quarter, Barrick produced 1.09 million ounces of gold. This was a slight bump over the 1.04 million reported in the prior period.

Given the impressive production, discounted stock price, and stable gold price in 2021, Barrick is a stellar option to consider in 2022.

How about a precious metal stock that isn't a miner?

Another stock that weathered the volatility we had in 2021 is **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)). Unlike Barrick that is trading at a double-digit discount, Wheaton is relatively flat as we look back at 2021.

As intriguing as that sounds to potential investors, here's the best part: Wheaton isn't even a miner. Wheaton is a [precious metals streamer](#). Streamers are similar to traditional miners in some ways in that they sell precious metals produced from mines for a profit. The difference with streamers is *how* those metals are procured.

Streamers provide traditional miners an upfront financial injection to help them develop and begin mining operations. In exchange for that initial investment, the streamer can purchase some of the metal produced by the mine at a significant discount.

That discount can bring the price of gold down to US\$400 per ounce, and, in the case of silver, to just US\$4.50 per ounce. Those metals can then be sold on off based on the current market price.

Apart from the lucrative potential that this opens up, there's another point to consider: risk. Streamers are much lower risk than their traditional mining peers. That arms-length relationship also allows streamers to seek out new mines and leave the day-to-day operations to the traditional miner.

That unique arrangement has helped Wheaton amass a portfolio of 24 mines on three continents. It has also helped the company post some impressive results during earnings season. If we look back at 2021 performance, particularly in the most recent quarter, Wheaton reported revenue of US\$269 million, with earnings topping US\$137 million.

It's hard not to see that current trend continuing well into 2022 and beyond.

Look back at 2021 but invest for 2022

Both Wheaton and Barrick offer investors significant long-term potential. This holds true particularly if gold prices begin to creep up in 2022, as many expect.

In my opinion, both stocks would do well as part of a larger, well-diversified portfolio.

CATEGORY

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2. Metals and Mining Stocks

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