



Gold Stocks: It's Their Time to Shine! To Buy or Not to Buy?

Description

The Russia-Ukraine conflict has driven the gold price to close to US\$2,000 per ounce, as investors move capital into what's viewed as a safe-haven asset. The war increases the uncertainty surrounding the global economy, which is why a new rally has sparked in gold prices. As a result, gold stocks have also had their fair share of a rally. During times of high global economic uncertainty is when gold stocks get a chance to shine. For example, many gold stocks dropped dramatically but quickly made a huge comeback all in 2020.

- **Barrick Gold** stock dropped to below \$18 per share in the pandemic market crash of 2020. In the same year, it shot up to \$40 for 122% price gains. Earlier this year, it traded at about \$23. Now, it trades at \$31.84 per share for 38% upside from the recent low.
- **Newmont** stock fell to below \$45 per share during the 2020 market crash. Later in that year, it doubled to \$90. Since then, it was range-bound between approximately \$70 and \$90; recently, it broke above the \$90 level and is at the \$99 level at writing.
- [Agnico Eagle Mines stock](#) fell to about \$43 and climbed to \$105 for 144% gain in 2020. Since then, it has retreated to about \$60 earlier this year before rising about 25% from where it is today.
- **Franco-Nevada** stock was at a low of about \$100 per share during the onset of the pandemic in 2020 before appreciating about 120% to its high in the same year. Now, it's almost revisiting that height.
- [Wheaton Precious Metals stock's](#) low in 2020 was about \$26 before rising to a high of \$75 for 188% gains. At writing, it's at about \$61 per share.

Is there more upside for gold stocks?

There certainly could be more gains coming for gold stocks, as the Russia-Ukraine conflict doesn't seem to be ending soon. At these higher levels of gold prices, many gold companies will enjoy higher profits and cash flows.

However, when the Russia-Ukraine war ends, whenever that may be, gold prices will likely retreat to lower levels. Will gold stock investors be able to retreat quickly enough to protect their gains and

capital? When to sell is not as big a concern for precious metal streaming stockholders who bought at good valuations, as these stocks are low-risk and high-profit-margin businesses. In fact, seeing as they tend to move differently from the market, Franco-Nevada and Wheaton Precious Metals could sit nicely as a market hedge for long-term stock portfolios.

The Foolish investor takeaway

While gold stockholders may be overjoyed about their shiny stocks, let's not forget that gold stocks don't move much in most years.

Aside from the precious metal streaming stocks, stock returns of gold producers are generally highly unpredictable because of the volatility of the underlying gold prices. Both the pandemic in 2020 and the Russia-Ukraine conflict now are black swans that triggered big swings in gold prices and gold stock prices, as investor sentiment changes between fear and confidence about the economy or financial markets.

Gold stocks are shining, but they could shine even brighter in the near term, particularly for mid-cap gold stocks that aren't as fully valued as large-cap ones. While investors might increase their gold exposure in the short term, remember also to diversify in other areas of the stock market where bargains can be found.

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