



2 TSX Gold Stocks to Buy to Hedge Market Volatility

Description

Market participants do not like uncertainty. The Russia-Ukraine war and decades-high inflation may have created a massive hurdle for global growth. The concerns are quite evident and visible in broad market volatility. Since the war, investors have increasingly turned to safe-haven assets like gold and stocks in defensive sectors.

As a result, gold miner stocks have risen and outperformed broader markets. The trend could continue amid the lingering war and impending interest rate hikes.

Also, inflation and gold are directly correlated, so gold is an effective inflation hedge. Gold has risen along with the rising cost of living in the past.

Here are two TSX gold stocks to consider amid increased uncertainties in the market.

B2Gold

Canadian gold miner stock **B2Gold** ([TSX:BTO](#))(NYSE:BTG) has been on a roll this year. It has risen 30% so far this year and has seen an encouraging up move since the war began.

A \$6.5 billion miner, B2Gold plans to produce around one million ounces of gold this year, similar to 2021. It has seen superior financial growth, with massive production growth and improved operational efficiency in the last decade. Higher gold prices could drive its top-line growth in the next few quarters.

If you plan to hedge your broad equity market exposure with gold, I think [gold miner stocks](#) offer a more attractive proposition than physical gold and gold ETFs. Though stocks have a relatively higher correlation with market indexes than physical gold, they pay handsome dividends.

For example, BTO stock yields 3.4% at the moment, one of the highest among its peers. In addition, its strong earnings growth potential and debt-free balance sheet make shareholder payouts more reliable for long-term investors.

Interestingly, BTO stock is currently trading at 12 times its earnings, indicating a [decent growth potential](#). So, if the yellow metal's price remains strong, investors can expect more upside in BTO stock, and for it to outperform its peers.

Wheaton Precious Metals

Gold streamers present an added layer of safety relative to gold miners. Streamers do not operate or own mines. Instead, they pay upfront fees to third parties to dig mines. **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) is one of the leading Canadian streamers. WPM stock has gained 32% in 2022, outperforming peer gold stocks.

Streamers like Wheaton have seen superior earnings growth and higher profit margins in the long term. WPM reported a net income of \$755 million in 2021, representing a year-over-year increase of 48%.

Importantly, the company could see another strong financial performance led by the strength in gold prices. So, WPM offers a low-risk proposition for investors to play the gold rally.

Bottom line

[Gold and gold miner stocks](#) have a lower correlation with broader markets than growth stocks. As a result, defensives are moving higher, while growth stocks and indexes have been weak since the war. In the upcoming quarters, investors can expect earnings expansion from gold miners, mainly driven by higher gold prices. So, relatively undervalued names like BTO could rally in the short to medium term.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:WPM (Wheaton Precious Metals Corp.)
2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:BTO (B2Gold Corp.)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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Author

vinitkularni20

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