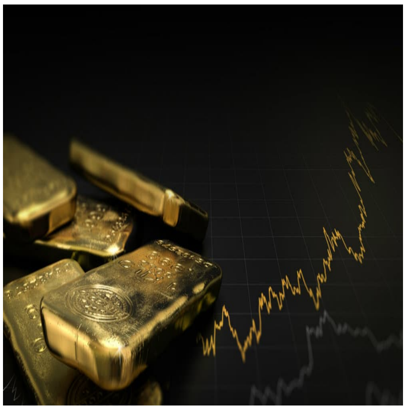

2 Gold Stocks to Buy as Inflation Busters

Description

There are plenty of reasons to invest in gold, but the two most prominent ones are its contrarian dynamics during harsh market conditions and that it holds its value. The latter is why gold is quite attractive right now, since we are seeing historically high inflation levels.

It's important to understand that gold and gold stocks may not always trend the same way. That's because even if the gold stocks see their value rise when gold becomes more expensive, the market as a whole has sway over them as well. But that's not necessarily a bad thing, since it might give you the opportunity to buy gold stocks at discounted price, even when the gold price is rising.

However, currently, both are going down — gold prices *and* gold stocks. But their characteristic trait of being a hedge against inflation is still valid, and there are two stocks you might consider starting with.

An international gold mining company

Gold mining is one of the areas where large-cap, medium-cap, and even small-cap companies can have sizeable international operations. And one mid-cap, low-cost senior producer worth looking into is **B2Gold** (TSX:BTO)(NYSE:BTG). The stock has slumped 44% from its post-pandemic peak and 16% from its pre-pandemic peak, so it's discounted from both perspectives.

The downward trajectory of the stock suggests that this might continue for a while more. And B2Gold, which is already a buy thanks to its attractive valuation and 4% yield, which is relatively high compared to the sector's norm, might become even more attractive as the stock falls further.

You might also be able to enjoy decent capital appreciation as well. In a relatively shaky bullish run, the stock rose about 110% between the 2018 dip and the 2020 peak. If the next bullish phase is similar, you might double your capital in under three years.

A long-term holding

While B2Gold *can* be considered a long-term holding for its short-term growth and dividend potential, **Franco-Nevada** (TSX:FNV)(NYSE:FNV) is worth holding for its long-term growth potential. The stock is currently modestly discounted (16%), and even though it offers dividends and is a Dividend Aristocrat, the yield is too low to become a deciding factor (0.92%).

However, its long-term growth potential is phenomenal, considering that it can replicate its growth in the last decade when it returned over 300% to its investors. So, if all goes well, and you manage to buy this company at a depth of the dip, you may be able to experience three-fold growth in the coming decades.

The main difference between its long-term growth and B2Gold's short-term growth is the level of certainty, which leans slightly more in favour of Franco-Nevada.

Foolish takeaway

Gold stocks can act as cyclical stocks thanks to their contrarian nature of moving against the market. So, like other cyclical stocks, your aim should be to buy the dip for maximum return potential. However, long-term growers and royalty companies like Franco-Nevada have a different growth pattern, though it would still be in your best interest to wait for the dip to buy.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:BTO (B2Gold Corp.)
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