



Why TSX Gold Stocks Are Falling in May 2022

Description

Broader markets have been trading rough for the last few months, while recession rhetoric has also gained steam. Moreover, the geopolitical tensions in Europe are not likely to wane anytime soon. In such markets, the yellow metal is the go-to asset as uncertainties increase. However, gold and TSX gold stocks have been equally weak since mid-April, and the safe haven did not shine this time.

Why gold stocks cratered

Gold was making handsome moves till April this year. In fact, it was among the top performers in the broad markets. However, it has fallen 8% in the last six weeks, and TSX gold stocks have rather seen an outsized impact.

The primary reason behind the fall is rising U.S. Treasury yields. Though the demand for safe-haven assets increases during volatile markets, strong dollar and Treasury yields have weighed on the yellow metal.

The U.S. Fed announced a 0.5% interest rate hike early this month to tackle the fast-rising inflation. Higher rates result in superior Treasury yields and a stronger dollar.

Top TSX gold stocks to consider

Canada's top gold miner stock **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) has dropped 15% since mid-April. Peer **B2Gold** ([TSX:BTG](#))(NYSE:BTG) was equally weak and lost 15% in the same period.

So, is it now a great time to invest in TSX gold stocks after the correction?

Considering the geopolitical tensions and [uncertain markets](#), investors might be inclined toward safe havens. However, gold still might continue to trade under pressure. That's because of rising rates. The Fed has been highly hawkish this time and guided for multiple similar hikes for the rest of 2022.

So, rapidly rising interest rates could further support the dollar and Treasury yields, at least in the near future. And TSX gold stocks will likely keep trading lower.

However, if you are a very long-term investor and perceive gold as an effective defensive asset, the ongoing weakness could be an opportunity. Also, some gold stocks offer juicy dividend yields as well, providing valuable returns as opposed to owning gold bars. These stocks offer a handsome upside potential when gold prices increase.

Barrick Gold is one of the biggest miners and produces nearly five million ounces of gold annually. Its [production](#) has trended lower in the recent quarters, which has also weighed on its stock.

The miner increased its net income by 20% CAGR and returned a mere 33% in the last five years.

In comparison, a smaller peer, B2Gold is an undervalued bet. Its West Africa-based operations have delivered industry-leading growth in the last several years. Its net income increased by 31% CAGR, and the stock returned a decent 75% in the last five years. ABX stock currently yields 2%, while BTO yields nearly 4%.

Bottom line

So, if you are hoping for a quick recovery, TSX gold stocks might disappoint. However, your investment horizon is pretty long, some names in the sector could create meaningful value.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:ABX (Barrick Mining)
4. TSX:BTO (B2Gold Corp.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vinitkularni20

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/20

Date Created

2022/05/28

Author

vinitkularni20

default watermark

default watermark