



Could Gold and TSX Gold Stocks Get Their Sheen Back Anytime Soon?

Description

Along with tech, banking, and many other sectors, gold has also been down this year. The popular safe haven has been out of favour lately, even when markets trade rough and recession fears rise. Moreover, TSX gold names like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) and **B2Gold** ([TSX:BTO](#))(NYSE:BTG) are currently trading close to their three-year lows. Should you switch to gold stocks amid a recession or not?

The primary reason behind the yellow metal's weakness is rising interest rates in the United States. Higher rates bolster the U.S. dollar and Treasury yields, which makes non-yielding bullion unattractive. For example, the 10-year U.S. Treasury yield — one of the safest instruments in global financial markets, jumped from 1.44% in December last year to 3.5% last month.

Moreover, investors prefer to stay with the U.S. dollar as a perceived safe haven, especially when an economic downturn looks almost certain. Thus, since the U.S. Fed started raising rates in March, gold has changed its course and has lost 16% since then.

However, if a recession does occur, probably next year, global central bankers might once again have to reverse the policy tightening cycle. The rates, in that case, could stay put or most likely decrease to boost the economy. As a result, the U.S. dollar and Treasury yields will likely moderate and revert to the mean. Interestingly, gold and miner stocks should again be in the limelight then.

Here are two [top TSX gold stocks](#) that investors could consider.

Barrick Gold

Barrick Gold stock has notably underperformed the yellow metal, losing more than 40% in the last three months. While gold miners were off to a great start this year, they soon lost their sheen. However, these levels look attractive for long-term investors. Miner stocks like Barrick Gold could outperform in the long term as the bullion reverses.

Barrick Gold is one of the biggest gold producers globally and aims to produce approximately 5 million

ounces this year. Along with the gold decline, poor quarterly performance in Q1 2022 also weighed on its stock. Barrick's production in Q1 2022 fell by 10% compared to Q1 2021. Its net profit also fell from \$538 million in the first quarter of 2021 to \$438 million in Q1 2022.

ABX stock could continue to trade weak in the short term, as the Fed keeps up with aggressive rate hikes. Thus, inflation turning lower will most likely be a key to changing the Fed's hawkish stance.

B2Gold

It's no different story for B2Gold stock. It has lost 35% since April, outperforming Barrick Gold. B2Gold is a \$4.4 billion gold miner that operates high-quality mines in Mali, Namibia, and the Philippines. In Q1 2022, it reported a net income of \$91 million — a decline of 8% year over year.

B2Gold looks more appealing among TSX gold miners, given its undervalued stock and juicy dividend yield. It is currently trading nine times its earnings, lower than its peers. In comparison, Barrick Gold stock is trading 15 times its earnings.

B2Gold will pay dividends of \$0.16 per share this year, implying an annualized yield of 4%. That's much higher than peers.

Like peer gold stocks, B2Gold will likely keep trading subdued with a challenging macro environment. But it could outperform when the yellow metal changes its course.

CATEGORY

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2. Metals and Mining Stocks

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2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:ABX (Barrick Mining)
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Date

2025/09/26

Date Created

2022/07/31

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