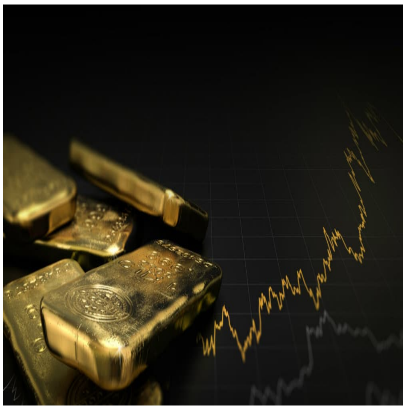

3 Heavily Discounted Gold Stocks to Buy for Recovery

Description

The materials sector in Canada started recovering faster than the broader market after the market crash during the Great Recession. This recovery was influenced and driven by gold stocks, since investors tend to focus on gold and leverage its ability to hold its value when there is uncertainty in the market.

It offers a decent hedge against inflation and recession — a phenomenon partly fueled by currency devaluation in a harsh economy.

And if you buy some of the most heavily discounted gold stocks, they *may* offer even more aggressive market-beating returns during or right after the recession if they exhibit an early recovery like last time.

A gold producer with a diverse international portfolio

Kinross Gold (TSX:K)(NYSE:KGC) is a mid-cap gold company with a market capitalization of $5.6 billion. As a senior gold producer, it's a reliable investment to gain exposure to the underlying asset — gold. Its diverse portfolio is spread out over three continents and concentrated in six countries. The diversity of its gold projects also comes with more control over production costs and better overall longevity.

Kinross is one of the most aggressively discounted stocks in the materials sector right now. It's trading at a 66% discount from its 2020 peak, and the heavy discount comes with a decent 3.5% yield. The price is also 44% lower than the pre-pandemic peak. And if we consider the current fall an overcorrection, the post-recession recovery might be just as solid.

A copper and gold producer with a North American portfolio

If you are looking for domestic exposure, you may prefer **Taseko Mines** (TSX:TKO). It's not a pure gold producer, and its primary focus has always been copper. It operates the second-largest open-pit copper mine in the country. Two of its five properties have gold reserves as well, though only one shows promise — New prosperity with 13.3 million pounds of gold (indicated).

The stock is quite heavily discounted as well. The 52% discount it's currently offering includes the recent recovery bout, which pushed the stock up 20% in two weeks.

And the current direction of the stock indicates that it may keep growing, and even if it doesn't offer contrarian returns during the recession like a pure gold stock, you can still take advantage of the current market-driven recovery. It's also attractively undervalued right now.

A gold producer with a Mexican portfolio

Argonaut Gold (TSX:AR) has a portfolio of three operational and three development-stage properties in Mexico. It also has one property each in Canada (development stage) and the U.S. (production stage). All four of its production mines have low-grade reserves. But since all four are open-pit mines, the lower operating costs make up for the low-grade reserves.

In the last seven years, the stock has traded for a fraction of its glory-days valuation, but the most recent slump has been devastating. In about nine months, the stock has fallen over 87.5% and has only recently started moving upwards. It's difficult to say whether the current recovery will continue till the 2023 recession or if we will see a different recovery phase next year.

Whenever it happens, the *size* of the discount tag promises robust returns, assuming the stock reaches its 2021 peak value.

Foolish takeaway

Even if the recession hits Canada in 2023, we may not see a market crash of the same magnitude as we saw during the Great Recession or even the 2020 crash. Many gold stocks, including the three above, are currently reasonably discounted, and you may not want to wait till 2023 to buy them, as the current market-wide recovery might trigger a growth phase well before the recession recovery.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:AR (Argonaut Gold Inc.)
3. TSX:K (Kinross Gold Corporation)
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Date
2025/08/12
Date Created
2022/08/03
Author
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