Agnico Eagle Mines: The Best Gold Stock of the Batch Right Now?

Description

The gold market found its footing over the past week after stumbling toward 52-week lows in the low US$1,700-per-ounce range. Undoubtedly, the appetite for cryptocurrencies such as **Bitcoin** has faded in a major way over the past few months. The case for holding crypto in the place of gold no longer seems nearly as solid as back in 2021. While Bitcoin is back in rally mode amid the recent risk reversal at around US$24,000 per coin, I'd argue that given the excess volatility in the asset class that gold is still very much the gold standard.

I've said it before, and I'll say it again: gold is a proven store of wealth over the millennia. Bitcoin has only been around for more than a decade. Indeed, other cryptocurrencies haven't even been around for more than five years, making it difficult to determine how such an asset class fits as a part of a diversified portfolio. Though Bitcoin moves under its own footing based on exogenous events and the appetite for speculation, I'd argue that adding it to a TFSA or RRSP portfolio would only introduce risk.

Gold shines at a time like this!

At the end of the day, gold can help you dodge and weave past a choppy market. Bitcoin may only amplify the punches thrown in your direction!

Despite the recent 5.5% run in the price of gold, I still think many investors, especially young ones within the millennial cohort, have soured on gold. With inflation running hot at around 8% in Canada and 9% in the United States, you'd think gold would be at or around its highs.

Though the precious metals have been steadily finding their lustre in August, I still think the price of admission into gold is relatively modest. Further, I think the asset has the means to make a run for the US$2,000 level, even as investors calm over rate hikes and recession risks.

In this piece, we'll check out one of my favourite gold miners: **Agnico Eagle Mines** (TSX:AEM)(NYSE:AEM).

A golden value hiding in plain sight?

Agnico Eagle isn't just a well-run Canadian gold miner with a wealth of intriguing assets across various nations. It has a very juicy 3.54% dividend yield, which appears well-supported by cash flows. At writing, the stock is off more than 47% from its all-time high of $110 and change per share back in 2020. It's been a painful slide to say the least due to gold's slip off its highs.

Just over a week ago, Agnico clocked in a pretty solid second-quarter earnings report that saw adjusted EPS (earnings per share) numbers coming in at $0.76, above the consensus estimate of $0.60. Costs of production were much improved, thanks to positive grade reconciliation and other productivity enhancements previously made at various mines, including Detour Lake.

In a challenging gold price environment, management really deserves a round of applause for the beat. Looking ahead, Agnico is focused on its Life of Mine Plan (LOMP), which adds more than 400,000 ounces worth of gold production between 2028 and 2031.

For 2022, management expects to stand by its original forecast, calling for 3.2-3.4 million ounces of gold production. With improving operational efficiencies and a modest multiple, I view Agnico as a terrific way to play a bounce in gold at a discount.

The stock trades at 25.3 times price-to-earnings multiple, which is well below the precious metals mining industry average of 45.0.

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