



When Will TSX Gold Stocks Recover?

Description

The yellow metal has been trading lower this year despite rising recession fears. The traditional safe-haven generally outperforms broader markets amid an economic downturn. However, there is a big possibility that gold stocks might continue to underperform.

Why are gold and gold stocks down in 2022?

Canada's biggest gold producer stock **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) has fallen 40% since April 2022. Peer **B2Gold** ([TSX:BTO](#))(NYSE:BTG) stock was no different. It has shown a similar weakness and dropped 38% in the same period. And with roaring inflation and imminent rate hikes, [TSX gold stocks](#) may not recover soon. Here's why.

To tame the fast-rising inflation, the US Fed raised its benchmark interest rates by 2.25% this year. The inflation has not substantially come down so far, but the Fed's rate hikes have notably strengthened the US dollar and Treasury yields. The 10-year Treasury yield touched 3.5%, the highest level since October 2018.

Now when investors are getting a 3.5% yield virtually risk-free, gold and gold stocks ought to lose sheen. As a result, gold stocks fell to multi-year lows recently. The yellow metal has lost 6% year to date.

To add to the woes, the Fed has recently affirmed its hawkish stance on bringing inflation down. So, the central bank could continue its pace of aggressive rate hikes, which will further fortify the US dollar and Treasuries, ultimately weighing on gold. Thus, even if TSX gold stocks are trading at multi-year lows, the weakness could persist. Investors might get to grab these beaten-down names at even more attractive levels.

Top TSX gold stocks to buy in 2022

Barrick Gold stock is currently trading at its three-year lows. Along with macro issues, the stock also

witnessed weakness due to its production declines early this year. However, with the recent correction, Barrick Gold now offers an attractive dividend yield of 3%.

Barrick Gold aims to produce approximately 4.3 million ounces of gold this year. Its diversified production mix of gold and copper plays well for its topline growth. With a strong liquidity position and negative net debt, Barrick Gold is a fundamentally solid company. So, ABX is an apt bet for long-term investors. It will likely be available at lower levels till the Fed reverses its rate hike cycle.

Another compelling bet among TSX gold stocks is B2Gold. The stock looks more attractive from a valuation standpoint. Plus, it offers juicier dividends that yield 5.7%.

B2Gold intends to produce over a million ounces of gold this year. It operates high-quality mines in West Africa. The stock's high correlation with the yellow metal could weigh on shareholder returns for the next few quarters. However, considering its higher dividends and undervalued stock, B2Gold stock could bounce back once the bullion revives.

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2. Metals and Mining Stocks

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

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