This Top Gold Stock Has a Huge, Growing Dividend

Description

Gold and silver stocks have not performed as well as you'd think in a high-inflation environment plagued by recession jitters. Undoubtedly, gold prices have really struggled to break to new highs, even as cryptocurrencies (a gold alternative to some) continue to fade into the background. Though inflation continues to be a major pressure point for many, it doesn't seem like gold can catch any sort of break.

Gold can be a difficult beast to predict. Plus, it doesn't really produce anything while you hold it. There's a reason why Warren Buffett was never a big fan of gold or its miners. However, it's worth noting that the Oracle of Omaha's firm has dabbled with shares of **Barrick Gold** (TSX:ABX)(NYSE:GOLD) in the past. But Buffett's move into the gold miner proved short-lived. Despite all the uncertainties and inflationary headwinds, Buffett appears to have made the right move in getting out of the gold trade.

Gold hasn't shined too brightly, given profound economic uncertainties

Like the overall economic climate, gold's next move is nearly impossible to forecast. While gold bullion may not be worth holding over long periods of time due to its unrewarding nature versus equities, I still think Barrick is one of the most rewarding ways to play the space.

At the end of the day, you don't hold gold to get rich. You hold it to preserve your wealth and further diversify your portfolio. While a portfolio doesn't need precious metals exposure per say, if investors can enter at a relatively attractive price, I think it makes sense to have a very small portion of one's assets in gold. Just in case another black swan event rears its ugly head. Sometimes, it's the punches that we don't see coming that do the most damage.

At this juncture, new investors are anxious over rate hikes and the severity of the coming downturn. Many pundits see a recession on the horizon. Though recessions have historically been bad for markets, I do think a mild recession won't necessarily take a 50% haircut off the averages. If anything, the 24% peak-to-trough flop we witnessed in the **S&P 500** in the first half could be the worst of this bear market.

Barrick Gold stock: A better (more bountiful) way to bet on precious metals

Regardless, I'd argue that it's wise to be prepared for anything. Currently, I'm a major fan of Barrick Gold stock now that it sports a sustainable 2.7% dividend yield. At the time of this writing, the stock goes for just shy of $20 per share after enduring a more than 50% plunge from its all-time highs back in late 2020.

Though there are many other gold miners that boast handsome dividend yields, Barrick is one of my favourite ways to play the precious metals market. First, the valuation is depressed, with a mere 1.1 times price-to-book (P/B) multiple, which is way lower than the industry average of 4.2 times. At 5.0 times price-to-cash flow, Barrick is also one of the cheaper cash cows for your dollar in the gold space today.

Even if gold prices were to stay relatively weak, I'm a major fan of getting in before second-half results come out. With a sound balance sheet (4.0 current ratio and 13.6% debt-to-capital ratio), Barrick has the means to keep its dividend covered as gold seeks to find its footing. The 42.4% payout ratio is below the industry average of 65.3%, making Barrick's dividend one of the best in class.

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