Battered Gold Stocks (With Huge Dividend Yields) to Buy Now

Description

Gold stocks have been under a considerable amount of pressure in recent months, as the rest of the market tumbles further on the back of rising rates. Undoubtedly, uncertainties couldn't be greater at a time like this, with a global recession potentially on the horizon, and rates continuing to rise to new highs not seen in years.

With Ukraine-Russia tensions considered, the magnitude of geopolitical woes is arguably at a high point. Indeed, such a hazy and inflation-plagued market environment should bode well for the price of gold. However, that simply has not been the case, with gold prices plunging below US$1,650 per ounce for the first time in a long time.

To put it simply, gold, as an asset, seems broken right now. With investors in a hurry to throw in the towel on bullion and shares of gold miners alike, I'd argue that now would be a pretty decent time to go against the grain.

Undoubtedly, the case for holding gold doesn't make as much sense when you consider it's followed the rest of the stock and bond markets lower. As an inflation hedge, it's doing a pretty terrible job. And I don't think you can blame the crypto markets for the sluggishness of late.

Indeed, gold is a proven inflation-resilient store of value over the extremely long term. Over the near to medium term, though, it may not be all that great a hedging asset. Undoubtedly, Warren Buffett was never a huge fan of gold, and for good reason: it's an unproductive asset, one that you could hold for years on end and have nothing to show for it.

Shining dividends in the rubble

At the very least, stocks pay you dividends over time and reward you for your patience. Gold doesn’tdo a whole lot but look pretty. Further, you’ve got to spend money to keep it secure. Though Buffett’s distaste for gold may be warranted, given recent action in the price of precious metals in thisinflationary environment, I’d argue that for most investors that there is a case for allocating a tiny (think2-3% of the portfolio) in gold.

It’s a lowly correlated asset (under most conditions), and although it may not move in predictable ways (falling amid inflation), it can still help you improve upon the diversification factor. At a time like this, lowly correlated returns (returns that are less tied to the performance of the broader TSX Index or S&P 500) should be favoured. Further, various gold miners sport hefty dividend yields that can help compensate you for your patience.

Barrick Gold stock: Getting paid to wait for gold to shine again

At this juncture, I like the high-yielding mature gold miners like **Barrick Gold** (TSX:ABX)(NYSE:GOLD). Though junior miners with questionable balance sheets have more upside in a scenario that sees the price of gold reverse, I’d argue that now is not the time to be hunting down upside.

If anything, it’s time to err on the side of caution with a well-managed firm that can survive a hurricane in 2023. In simple terms, bigger is better. And it’s tough to stack up against Barrick, as the firm looks to improve underlying economics across its broad range of mines. It’s a geographically diversified miner with exposure to far reaches of the globe. Further, the 2.69% dividend yield stands out as a main attraction to the stock for the non-gold bugs out there.

Shares are off more than 40% from their highs of nearly $33 per share. Gold will always be a choppy, unpredictable asset. However, at just 1.1 times price to book, I view Barrick as a historically cheap stock that could help investors outperform in this bear market.

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