



Should You Invest in TSX Mining Stocks Right Now?

Description

Investors without any exposure to mining stocks might be missing a great deal. Mining stocks are in a strong recovery mode. The **S&P/TSX Global Mining Index** has gained more than 16% so far this quarter. Mining stocks have outperformed the entire Canadian stock market lately (the **TSX** has gained 9.97% during the same period). Investors whose [retirement plans](#) have long (five years plus) investment holding periods may wish to invest in TSX mining stocks before they recover back to all-time highs.

On top of its recent outperformance, the S&P/TSX Global Mining Index literally trounced the S&P/TSX Composite Index's returns over the past five years. The mining index produced an annualized return of 9.09%, while the TSX recorded nearly half that return (at 4.76%). Although historical performance may not predict future investment returns, there's a compelling investment case for mining industry stocks.

Canadian mining companies make up 69 of the mining index's 99 constituents. Given an index level of 105.9 at the close of trade on Wednesday, there is a potential 25% return if the index were to recover to its 132.9 level reached in April 2022. Mining stocks rallied as commodity prices spiked globally when Russian missiles started hitting Ukraine, triggering international sanctions against the aggressor. Russia is a significant contributor to global mining production.

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Mining companies typically produce commodity materials for industrial production. Commodity prices are highly volatile. Nonetheless, they have historically offered a good inflation hedge over long investment periods. Since mining stocks are highly susceptible to cyclical commodity prices, they may fare badly going into economic recessions as commodity demand weakens, but outperform the market going out of economic downturns as production input demand picks up.

The biggest threat to investing in mining stocks right now could be a potential global recession in the near term if interest rates continue to rise, inflation remains high, and consumer confidence weakens.

But it's very hard to predict economic recessions with reasonable certainty, and governments will

always intervene to stop them once they happen.

If the global economy survives a recession next year, and in 2024, and the war in Europe rages on (and sanctions on Russia stay put), commodities prices may remain strong. Under this scenario, mining stocks will shine.

Oil and potash miners, and gold, copper, and silver producers may be the stocks to hold onto. Lithium mining stocks and uranium producers may also remain attractive in the future.

Therefore, the best time to invest in TSX mining stocks is right now – as recession fears tame mining industry equity valuations. Gold mining stocks seem attractive right now, and the largest gold producer touts a near 5% dividend yield today.

Newmont Corp

Newmont Corp ([TSX:NGT](#)) is a \$49 billion global gold mining house. The company's mining footprint is spread globally from Canada to the United States, Mexico, Peru, Argentina, Australia, and Africa, among other countries. Besides it being the world's largest gold producer offering exposure to gold's price stability, Newmont stock may provide investors access to copper, silver, lead, and zinc upside.

Newmont aggressively increased its quarterly dividend in recent years. Management raised the gold stock's dividend by an average 57.3% per annum over the past three years. Although Newmont may not be the ideal [dividend growth stock](#) as commodity prices remain cyclical. However, investors who buy NGT stock today may lock in a respectable 4.8% dividend yield, and be paid to wait out a recovery in Newmont stock.

Newmont stock price has declined by 23% this year as high energy costs and high inflation resulted in rising production costs and higher operating expenses in 2022. Meanwhile, gold prices have weakened during the past 12 months. However, gold prices are firming in November, and NGT stock has gained 12% in a month.

Shares could continue to gain more value if gold prices rise further, and gold miner profit margins expand again.

CATEGORY

1. Investing
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Date

2025/08/11

Date Created

2022/11/24

Author

brianparadza

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