



Gold's Time to Shine? 2 Dividend Stocks to Play the Run

Description

It's been such a tough year for gold prices. High inflation and weakening macro prospects should have the shiny yellow metal in a bull market of its own. That has not been the case, with the price of gold fluctuating in the US\$1,700-1,800 range.

Indeed, it's not easy to be a gold investor, especially if you hold bullion that requires secure storage. Even bullion exchange-traded funds are tough to hold, given lofty MERs (management expense ratios) that'll eat up any potential returns. The gold miners have felt the biggest hits, with much of the sector waning on the back of weak gold prices. Indeed, leverage has made the dip in gold that much more painful for the top miners.

Given how uneventful gold has been as an asset, it seems like a good time to give up on the proven store of wealth. Despite the underperformance, I still think it's unwise to sell out of your gold stake, especially if it comprises just a small portion of your portfolio. At the end of the day, gold is a great diversifier. More importantly, it's a proven store of [value](#) over the course of thousands of years!

The problem with owning crypto in the place of gold

Cryptocurrencies have been on a wild ride this year. The formerly hot blockchain-based tokens that are viewed by some as an alternative to gold are now under considerable pressure. The FTX currency exchange crisis and the so-called crypto contagion it seems to have created have been hogging headlines of late. Many cryptocurrencies have fallen amid the FTX shocker.

Undoubtedly, many former crypto bulls may wonder if it's even worth it to hold crypto as a part of a diversified portfolio any longer. There's so much risk and volatility. Further, it's unclear as to what benefits the asset class has for everyday [investors](#) over the long run. Is it a great store of value like gold? We simply do not know the answers quite yet, given gold's been around for millennia, while crypto has only been in existence for more than a decade.

Now, cryptocurrencies may be interesting to trade for those who are willing to take the risk. However, crises, like FTX, can happen. And they can have a huge impact on the broader basket of cryptos.

As the crypto markets continue to digest the FTX bust, I think gold could have its moment to really shine. The case for crypto over gold is getting weaker with time, in my opinion. Though gold hasn't offered the type of results one would have expected, I still think there's a strong contrarian case to hang onto gold, as crypto investors look to rotate out of their digital tokens and back into boring precious metals.

Gold stocks could gain amid FTX and crypto bust

At the very least, a horrific contagion won't spread to the physical bullion that you've got locked up in a safety deposit box. At writing, **Barrick Gold** ([TSX:ABX](#)) and **Kinross Gold** ([TSX:K](#)) are great miners at terrific prices.

Barrick Gold stock is a best-in-breed gold stock, with a \$38 billion market cap and some of the best managers in the industry. Indeed, Kinross may offer greater upside if gold takes off, given its smaller size. However, I think bigger may be better for investors who don't want to introduce considerable volatility to their portfolios.

There's already enough volatility out there! With a 0.12 beta (that's incredibly low), ABX stock is less likely to move in the same direction and magnitude as the TSX Index on any given day. At less than 15 times trailing price to earnings, ABX could shine brightly if gold is ready to make up for lost time in 2023. Finally, the 2.43%-yield dividend is a star of the show.

Kinross is a choppy ride, with a 0.97 beta (about as volatile as the TSX) but a juicier 2.8% yield. Between the two, I prefer Barrick. But I'd not be afraid to nibble on both to play a run in gold prices.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:KXS (Kinaxis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News

9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/08/14

Date Created

2022/11/29

Author

joefrenette

default watermark

default watermark