



Should You Buy Gold Stocks In 2023?

Description

Gold has been a popular asset class among global investors for a few centuries now. Viewed as a store of value and a hedge against inflation, gold prices have increased at a consistent pace over time.

In March 2022, gold prices touched US\$2,050 per ounce due to the Russian invasion of Ukraine and rising geopolitical tensions. But continuous interest rate hikes acted as a headwind for gold prices as they fell to US\$1,650 per ounce by Q3 2022.

Gold prices and interest rates have an inverse relationship, but the yellow metal gained pace towards the end of 2022 to currently trade at more than US\$1,800 per ounce.

In 2023, the threat of an upcoming recession may continue to pressure major equity indices. A recession will also lower inflation and result in a deceleration in rate hikes, both of which should drive gold prices higher this year.

In case you expect gold prices to move higher in 2023, you can also consider investing in shares of gold mining companies. Theoretically, miners can benefit from economies of scale by expanding production and reducing costs.

Here are three such [gold mining stocks](#) investors can look at right now.

Barrick Gold

One of the largest companies on the TSX, **Barrick Gold** ([TSX:ABX](#)) operates tier mining assets. According to Barrick Gold, these assets are low-cost and have the ability to produce over 500,000 ounces of gold annually, with at least 10 years of productive life remaining. The mining giant, in fact, expects to extract 5.5 million ounces each year through 2031.

In addition to a top-tier mining portfolio, Barrick Gold is also equipped with a strong balance sheet. In the last few years, it has lowered debt by selling off noncore assets and generating stable free cash flows.

Due to lower interest costs, Barrick Gold enjoys significant financial flexibility and also pays investors a [dividend](#) of \$0.72 per share annually, translating to a dividend yield of 2.8%. In the last 20 years, Barrick Gold has increased dividends at an annual rate of 6.6%. Analysts remain bullish on ABX stock and expect it to gain another 10% in the next year.

Franco-Nevada

A streaming and royalty company, **Franco-Nevada** ([TSX:FNV](#)) owns a diversified portfolio with exposure to gold, silver, iron ore, and oil and gas. Over 50% of its revenue is generated from gold.

Franco-Nevada has an asset-light business model and earns revenue from royalties, lowering overall risk. The company went public back in 2008 and has increased dividends each year. It currently offers investors a dividend of \$1.74 per share, indicating a forward yield of 0.92%. In the last 15 years, these payouts have increased at an annual rate of 9%.

Franco-Nevada is debt free, allowing it to aggressively invest in royalty and streaming agreements in the future as well. These contracts enable Franco-Nevada to create a predictable revenue stream by selling the physical commodities mined on its properties.

Given consensus price target estimates, Franco-Nevada is trading at a discount of 12% right now. The company is well poised to profit from mining the yellow metal without worrying about the risks associated with the same.

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1. Investing
2. Metals and Mining Stocks

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Author

araghunath

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