



Silver and Gold Stocks: Worth Owning in 2023?

Description

Warnings of a global recession are everywhere. Europe is already in recession, and the next up is the United States as the Federal Reserve continues to hike interest rates. So far, the stock market has been [bullish](#) in 2023 as the inflation rate slowed to 7%. A 7% rate is better than the 9% rate in June 2022, but it's way higher than the average inflation of 2%. High inflation means the purchasing power of paper currency is reducing. When that happens, prices of money alternatives like precious metals rise. But are gold and silver good investment options?

Should you invest in gold and silver?

As we move into the digital age, even paper currency is losing value as governments worldwide are creating their digital currencies. It's all about efficiency. The US dollar replaced gold as an international currency under the Bretton Woods Agreement, as paper currency was easier to carry and transport. In today's world, digital currency is becoming more efficient, since it enables faster transacting across borders and requires no printing cost.

So in a growing economy, precious metals are losing value, and they may not be the best investments if you seek capital appreciation. But they have their importance. Because when everything else fails, you go back to your roots.

Gold prices tend to rise when its substitute (the US dollar) falls. Thus, you should have precious metal stocks in your portfolio to hedge against inflation that reduces paper currency's purchasing power. A similar logic could work in the case of crypto, and gold can also be used as a hedge against a crypto bubble burst.

Nonetheless, you should not invest a significant amount in gold as it tends to underperform in a strong economy. A 3–5% portfolio exposure to precious metal stocks is a good mix. Between gold and silver, I would prefer the yellow metal over silver as the former has a higher value and is used as a reserve to print currency.

When investing in gold, you can opt for physical gold, gold ETFs, or gold mining stocks. The first two

options give you a value against the underlying physical gold locked in a safe. It's more like betting on whether the gold price will rise from the point you bought it at. Unsurprisingly, [Warren Buffett](#) prefers the last option as mining stocks operate like a company and pay dividends, depending on production costs and inventory value.

A metal stock worth buying in 2023

The best gold mining stock to buy is the one that is a market leader, has little debt, and maintains low production costs. Since macroeconomic scenarios determine gold prices, mining companies can increase their profits by reducing expenses.

Barrick Gold

The one mining stock that ticks all the above boxes is **Barrick Gold** ([TSX:ABX](#)). Over the years, Barrick Gold has used the gains from gold peak prices to pay off debt and buy back shares. These efforts paid off as the company reported its first net cash reserve of \$500 million in the first quarter of 2022. That is when the gold miner decided to share its excess cash with shareholders through performance dividends.

The base quarterly dividend is fixed at \$0.10 per share. After every \$500 million increase in net cash, [the performance dividend](#) increases by \$0.5. So if its net cash increases to \$1 billion, the performance dividend will increase to \$0.10, resulting in a total dividend of \$0.20 (base + performance). ABX stock paid a \$0.20 dividend in the first two quarters and \$0.15 in the third quarter, hinting at a strong balance sheet despite a 20% decline in the gold price from its March 2022 peak.

As the gold price rises amid a recession, Barrick Gold's stock price could double, and so could its dividends. After the dip in early November, ABX stock surged 43% and is now trading above \$25. The stock still has the potential to surge to its pandemic high of \$38, representing a 48% upside. It could also surge past \$38 if the recession deepens.

However, I suggest putting the stock on your watchlist and buying it when it falls below \$21. Take the recession as an opportunity to diversify your portfolio into some of the [best Canadian stocks](#).

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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. cleona
2. pujatayal

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/12

Date Created

2023/01/25

Author

pujatayal

default watermark

default watermark