



Save Your Portfolio and Create Wealth With This Golden Rule

Description

I would certainly classify my broad view of the stock market today as bearish. I do not buy into recent rally into the recent rally we've seen from March lows. Also, I expect we'll see significant further downside on the horizon in the coming quarters.

That said, there are varying levels of every perspective. In this article, I'm going to consider the potential outcome of a 1930's-style depression and one asset class that could potentially save investors' portfolios in such a worst-case scenario.

Precious metals could be every investor's best friend

Plenty of gold bugs are having a field day with various marketing interventions of late. Central bank and government stimulus measures and money printing associated with said measures inherently boosts the price of gold.

This is because an increase in the money supply and the associated inflation that follows is bullish for commodities based in U.S. dollars. I believe we could see a scenario in which the U.S. dollar depreciates relative to other global currencies amid such measures, providing a bullish background for gold to appreciate.

In this context, one can see why increasing one's holdings in precious metals right now could be beneficial in a serious downturn. Companies producing a stable store of value other than U.S. dollars, namely gold producers, would benefit from both the safety/hedge trade. Also, they would benefit from the deflationary/inflationary trade related to the economic fallout of follow from such a recession

Which companies are the best to focus on?

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) has been a [top pick of mine](#) for many reasons. This Canada-based gold producer is among the largest in the world, providing investors with a high degree of relative safety. The company's operations are well diversified globally. They include many large mines,

spreading the individual mine risk many single mine producers otherwise have.

Barrick has one of the better balance sheets of its peers. This is despite a rather large debt load that looks onerous on its face. The company's cash flow generation has only increased as the price of precious metals continues to rise. This provides much more balance sheet room than many investors factor in.

With a low cost of production and one of the highest production volumes in the sector, I recommend Barrick as a one top stock pick for those looking for a core portfolio holding in this sector.

Barrick pays a small but meaningful dividend, giving the stock inherent upside on owning bullion on this basis alone. Further, the operational leverage Barrick provides to the commodity price of gold means investors can benefit to a greater degree from a rise in gold prices from owning Barrick stock relative to futures or bullion on their own.

In this current environment, I would encourage investors to investigate companies like Barrick, particularly investors who are bullish on gold, as I am.

CATEGORY

1. Dividend Stocks
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1. canada
2. Editor's Choice
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