Top 10 Reasons to Own Gold Stocks

A Gold Market Update from Chris Mancini, CFA

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1. Declining Interest Rates

There's an opportunity cost to holding gold which has no yield. As interest rates decline, so does this opportunity cost. If the Fed continues to lower rates in 2026, demand for gold should rise.

2. Rising Deficits

Gold is an asset which is no one's liability and therefore carries no default or repayment risk. As sovereign deficits increase and debts grow, we expect gold's attractiveness as a savings instrument to increase in tandem.

3. Peace is Unlikely to "Break Out"

After Russia invaded Ukraine, its dollar and euro-based reserves were confiscated. China holds approximately $1 trillion of U.S. Treasuries in reserves. As global tensions rise and central banks increasingly realize the risk to holding fiat reserves, they will continue to buy gold to diversify reserve holdings.

4. Cracks in Crypto

The price of Bitcoin declined 7% in 2025 compared to the 65% increase in the price of gold, and has declined 20% from its peak in October 2025. Ethereum has declined a similar amount, while Solana is down over 50%. Today there are over 10,000 traded cryptocurrencies. As the market begins to realize that gold is the only asset which cannot be replicated or imitated, its attractiveness should grow.

5. Free Cash Flow Generation

Gold miners are enjoying extraordinary profit margins and the free cash flow that comes with these. We estimate that Newmont Corp., the largest gold miner in the world will generate a 10% free cash flow yield in 2026 at current metals prices.

6. Historically Cheap

Notwithstanding the 160% increase in the Arca Gold Bugs Index in 2025, gold stocks are trading at discounted valuation multiples compared to historical averages. Assuming spot gold prices of $4,400 per ounce, we estimate that large capitalizations gold miners are trading at approximately 0.90x their net asset values compared to a 40-year historical average of 1.5x NAV according to Scotia Bank.

7. Relatively Cheap

We estimate that large capitalization gold miners are trading at approximately 12 times price to earnings ratios compared to 30 times earnings for the S&P 500 Index.

8. Capital Returns

Through the first three quarters of 2025 Newmont and Barrick, the two largest gold miners in the world, bought back a combined $3 billion of stock and paid $2 billion of dividends. This is indicative of a broad industry trend which we expect to continue in 2026.

9. Exploration Upside

Exploration budgets are rising as free cash flow and cash balances rise. Underexplored but very prospective properties are receiving attention and focus for the first time in years.

10. Smart M&A

Large companies are making tuck-in acquisitions of small development-stage projects, while small companies are merging in "1+1=3" scenarios. Undervalued stocks allow for win-win deals.

As of December 31, 2025 GAMCO Investors held less than 1% of the shares outstanding of all of the companies mentioned in this report.

December 31, 2025 the Gabelli Gold Fund held the following position sizes: Newmont: 8.0%; Barrick Mining: 2.9%

The analyst who wrote this report owns no shares of any company mentioned in this report.

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