



## Are Gold Miners Cheap or Dangerous?

### Description

Last Friday's trading session saw a halt in trading of two major precious-metals companies on news that the Chilean government was shutting down operations at the Pascua Lama mine. **Barrick Gold** ([TSX:ABX](#)), which operates the mine, was halted first, with joint-venture partner **Silver Wheaton** (TSX:SLW) halted a few minutes later. The mine, which Barrick has already spent more than \$5 billion developing, represents one of the largest resources for gold and silver in the world.

The bigger question that Friday's events raise is whether precious-metals companies are becoming cheap or dangerous at current levels. Barrick is down about 40% this year, and while others such as **Goldcorp** (TSX:G) and **Yamana** ([TSX:YRI](#)) are down less, they have still slid by between 20-30% each. Gold as a commodity is down more than 17% this year, as represented by the **SPDR Gold Trust**.

Mining issues aside, global macroeconomic events are aligning to make the future direction of precious metals very uncertain.

### The bigger picture

Recent developments from the Federal Reserve mean gold's long-term prospects are at best mixed. Last week, minutes from the Federal Open Market Committee meeting suggested that a growing number of officials at the Fed favour slowing or ending quantitative easing; this news is generally considered bearish for precious metals.

On the other side of the argument is that there is convincing evidence that the current run in the stock market is driven by the current Fed policy. If the policy reverses, it may create a vacuum that drives stocks sharply lower. A significant fall in stocks will probably improve the picture for both gold and silver, making the current sell-off a potential buying opportunity.

With all of these swirling forces, the one probability is that volatility will increase. Being aware of the forces at work is critical. Overall, maintaining an allocation to gold and silver is prudent, but allowing for the risks at play is paramount.

Owning great businesses over the long-term is one way to rise above many of the issues that face those who participate in the precious metals space. The Motley Fool's [Special Free Report](#) **"3 U.S. Stocks Every Canadian Should Own"**

" profiles 3 of the world's greatest businesses. You can download this report at no charge by simply [clicking here](#).

[Follow us on Twitter](#) and [Facebook](#) for the latest in Foolish investing.

*The original version of this post, authored by Doug Ehrman, appeared on Fool.com.*

*Fool contributor Doug Ehrman does not own shares of any of the companies mentioned at this time. The Motley Fool has no positions in the stocks mentioned above.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:WPM (Wheaton Precious Metals Corp.)
3. TSX:YRI (Yamana Gold)

## Category

1. Investing

## Date

2025/07/20

## Date Created

2013/05/28

## Author

motley-fool-staff

default watermark

default watermark