



Why Gold Stocks Continued to Bounce Back

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of several gold miners continued to crawl back on Monday as the price of gold broke through a tricky resistance level at \$1,300 (U.S.) an ounce.

So what: It's no secret that gold miners have been battered over the past year, but a recent retreat in the dollar, coupled with Fed Chairman Ben Bernanke's comments that quantitative easing would remain accommodative and subject to economic conditions, is fueling some optimism over a triumphant rebound in the sector. Among the big movers on the TSX were **Detour Gold** (TSX: DGC), **Kirkland Lake Gold** (TSX: KGI), and **Eldorado Gold** ([TSX: ELD](#)) — all up more than 10% — as analysts are naturally being prompted to bake in a higher price per ounce into their valuation models.

Now what: I wouldn't be so quick to jump into the gold miners just yet. Most foreign exchange developments point to a stronger greenback over time and if the U.S. economy continues to grow at the rate simply expected by the central bank, the Fed will almost assuredly withdraw support eventually. So while the beaten-down sector is certainly good for a short-term bounce, long-term Fools might want to look elsewhere.

Canada has yielded its fair share of great companies. But unsuspecting Canadian investors could get ambushed by a glaring weakness in their portfolios. One basic investing principle holds the key to a rock-solid portfolio ... and it starts with our neighbors to the south, America.

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Fool contributor [Brian Pacampara](#) owns no position in any of the companies mentioned. The Motley Fool does not own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ELD (Eldorado Gold Corporation)

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