



Buy Goldcorp Inc. Now to Cash in the Rally in Gold or Regret it Later

Description

The world's second largest gold miner, Canadian-listed **Goldcorp Inc.** (TSX: G)(NYSE: GG), is fast shaping up as a key addition to every investor's portfolio. Signs of a looming market correction, an expected surge in the price of gold as end of year demand picks up, and Goldcorp's solid portfolio of quality assets coupled with low-cost operations make it the pick of senior gold stocks.

But it is not only myself who believes Goldcorp stands out among senior gold miners, Credit Suisse recently upgrade its Outlook for Goldcorp to outperform from neutral.

Let's take a closer look at why now is the time to invest in Goldcorp.

1. A looming market correction

There is a growing disconnect between stock prices and the global economic outlook, indicating much of the recent market activity that saw the TSX hitting a record high late last month and the Dow Jones Industrial a new high only last week is being driven by excessive exuberance and not solid fundamentals.

Global economic growth is not accelerating at the pace forecast, with China the world's second largest economy experiencing slowing industrial activity and falling housing prices, which many economist believe will see its 2014 GDP growth come in at less than the 7.5% set by the government.

Furthermore, slowing and even contracting industrial activity among three of the Eurozone's largest economies coupled with flat to negative GDP growth continues to boost the fear of further economic stagnation and even deflation in the world's largest combined economy.

This in conjunction with growing investor nervousness over the escalation of the conflicts in Syria and Iraq with U.S. and allied airstrikes can only fuel further market volatility, while negatively impacting global economic growth.

All of this points to an even wider disconnect between stock prices and the broader global economy, which in my view can only mean one thing: a market correction is imminent. A correction would

bode well for the gold price, further boosting the share prices of gold miners and providing investors leveraged exposure to the price of gold and a means of hedging.

2. High-quality diverse portfolio

Goldcorp holds a geographically diversified portfolio of high quality gold and other precious metal mining assets. These mining assets have reserves of 54 million ounces of gold and 818 million ounces of silver, giving Goldcorp more than double the silver reserves of the world's second largest primary silver miner, **Pan American Silver Corp.** (TSX: PAA)([NYSE: PAAS](#)).

That makes Goldcorp not only a play on gold, but a solid play on a rally in silver prices, with that precious metal also set to rally. It also has reserves of a range of base metals including copper, zinc, and lead, though these are of little value with China's economic activity continuing to decline.

Goldcorp is a multifaceted play on a broad-based rally in precious metals including gold and silver, which given the current global economic outlook, is almost certain.

3. One of the lowest-cost operators in the industry

One of the stand-out aspects of Goldcorp's operations as a miner is that it continues to remain one of the lowest-cost operators in the industry, with second quarter 2014 all-in-sustaining-costs (AISC) of \$852 per ounce. When coupled with first quarter 2014 AISC of \$840 per ounce, the company is on track to beat its full-year guidance of \$950 to \$1,000 per ounce.

These low costs allow it to generate a solid margin per ounce of gold sold even at depressed prices, while allowing it to significantly boost profitability should there be even slight rally in gold. That translates into a firmer bottom line and solid leverage for investors on the price of gold.

This is costs are lower than the other senior miners with **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) reporting \$865 and Newmont Mining Corp. ([NYSE: NEM](#)) \$1,063 per ounce.

For all of these reasons Goldcorp is certainly my pick as a means of hedging against a market correction, greater global and geopolitical uncertainty, and growing market volatility. Not only does it offer a solid leveraged play on a rally in gold, but it is well positioned to weather any sustained downturn in the price of gold, but it continues to reward patient investors with a tasty and sustainable dividend yield of 2.8%.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)

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