



Is the Gold Rush Over?

Description

The gold rush is over. No, I'm not talking about that TV show on the Discovery Channel. I'm talking about the near US\$1,900-per-ounce run that gold was trading at following the collapse of 2008. With the markets in a tailspin six years ago, many investors began dumping currency and loaded up on gold instead, leading to a boom among miners and cable channel programmers.

But now things appear to be changing south of the border, a sense of normalcy has returned, unemployment rates are returning to pre-crash levels, and Canada experienced a trade deficit in August. All these factors have strengthened the U.S. dollar and are luring investors away from their gold security blankets.

On Friday, gold prices fell to just under \$1,200 per ounce erasing all the gains the commodity made in July when it was trading at the mid-\$1,300s. In fact, gold prices are only within \$9.20 of hitting a four-year low and would signify the largest drop in price in the past 30 years.

Several analysts predict that the next year and a half will be a rough ride for gold prices, as the U.S. continues its recovery with rumors of interest rate hikes — that is, as long as the market cooperates. But where does this leave some of Canada's top gold companies in the near future?

Double-dipping in trouble

Kinross Gold Corporation ([TSX: K](#))([NYSE: KGC](#)) has already been having a rough year for its stock, which has a 52-week range of \$3.52 to \$5.99 and closed Friday at \$3.59. Not only will Kinross have to navigate these low-priced waters but it will also have to battle against the torrents of Russian sanctions, which affect 30% of its global production.

The average price target for Kinross is \$6.03 but the most recent report to be released is from RBC Capital, which cut its price target to \$4.50 and its rating to sector perform from outperform.

El-doh-rado

Eldorado Gold Corp. ([TSX: ELD](#))([NYSE: EGO](#)) is a major producer of gold with 750,000 ounces

produced per year, and before Friday's gutting of gold prices, some mining insiders pegged Eldorado as a company that could easily reach 1.5 million ounces of annual production from its current, mostly long-life assets.

But if gold continues to fall, it will eventually compromise the company's capital growth projects, especially its foothold in Greece. Eldorado closed out Friday with a stock price of \$7.77 and has a 52-week range of \$5.73 and \$9.37. The average price target is \$8.76, and just like Kinross RBC Capital recently revised its outlook on Eldorado increasing their forecast from \$7.08 to \$9.00

Days of future prices

Gold prices over the next year or two don't look pretty, with some analysts using a wide cushion of \$1,150 to \$1,350 per ounce, with others such as Goldman Sachs Group Inc. estimating gold reaching a low of \$1,050. When we get to estimates ranging to 2018, we see price targets of \$1,400.

Then again, if the market follows its current trend of a meltdown every seven years, this could turn into the moment that people in 2015 or 2016 will regret not buying in at.

CATEGORY

1. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ELD (Eldorado Gold Corporation)
4. TSX:K (Kinross Gold Corporation)

Category

1. Metals and Mining Stocks

Date

2025/08/24

Date Created

2014/10/06

Author

cameronconway

default watermark