



## Billionaire John Paulson Bought \$50 Million of Agnico Eagle Mines Ltd.; Should You Buy, Too?

### Description

It's one of my favourite ways to invest in gold — and apparently billionaire investor John Paulson agrees with me.

In recent months, Paulson has expressed his concerns about inflation. That's probably why he has purchased over US\$1.3 billion in the **SPDR Gold Trust**. Paulson has also bought huge stakes in gold mining companies like **Goldcorp Inc.**, **Silver Wheaton Corp.**, and **Yamana Gold Inc.**

He also picked up another name. In a recent SEC filing, Paulson disclosed that he own 1.3 million shares of **Agnico Eagle Mines Ltd.** ([TSX: AEM](#))([NYSE: AEM](#)). As of June, his total stake in the miner was worth US\$50.1 million.

It's an odd bet. Since prices peaked in 2012, spot gold rates are off more than 30%. Miners are struggling just to keep the lights on, let alone grow operations. But while most investors have given up on the sector, there are a number of catalysts that should push Agnico shares higher.

First, history shows gold should jump higher soon. Earlier this month, gold prices fell to around US\$1,200 per ounce. Since June 2013, gold prices have fallen to this level three times, and each time the market found a bottom.

Why is this level so important? Gold prices **MUST** rise for miners to remain profitable. The average breakeven cost for gold companies is roughly US\$1,300 per ounce. If gold prices remain below this level, firms will start going out of business or scale back operations. Lower supply will ultimately result in higher gold prices.

Second, Switzerland is scheduled to hold a referendum on whether the Swiss National Bank will be required to hold more of its assets in gold. Right now, most of the bank's assets are backed by euros and U.S. dollars. Today, less than 8% of its assets are backed up by gold.

If the measure passes on November 30, the Swiss National Bank will be forced to bring its percentage of assets backed by gold up to 20%. This will amount to it purchasing 50 million ounces of gold over

the next few years, equal to roughly half the world's annual mine supply. That would put an enormous bid underneath gold prices.

As one of the largest producers in the world, Agnico is like the **Exxon Mobil Corporation** of the gold mining industry. The firm has the raw scale needed to survive the sector's current doldrums. And because of the leverage inherent in its business model, Agnico's profits could rise much faster than the underlying commodity.

What's interesting is that Paulson likely paid between \$25 and \$30 per share for his recent purchases. That's roughly in line with where the stock closed on Friday. That means you can buy Agnico on the same terms as this billionaire investor.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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