



## Why It's Time to Invest in Goldcorp Inc. and Yamana Gold Inc.

### Description

Over the last month, gold has rallied by just over 1%, yet this hasn't been reflected in the share prices of gold miners, with the **NYSE ARCA Gold Bugs Index** — a dollar-weighted index of the 18 largest listed gold miners — plunging 10% for the same period. This, I believe, has created opportunities for investors in gold mining stocks, with the lustrous yellow metal nicely primed for a rebound in the coming months.

Let me explain why.

#### Gold is the ultimate safe-haven asset

Over the last month, markets have retreated from the highs they hit earlier this year, with the **S&P TSX Composite Index** down 4% and the **Dow Jones Industrial Average** 2% — and there are growing fears of worse to come.

Growing global economic and geopolitical uncertainty is fanning fears among investors of a deep market correction. This is creating renewed interest among investors in safe-haven assets, with gold considered the ultimate among them.

This is because gold is considered a store of value, with its price negatively correlated to that of stocks and other growth assets. When those assets decline in value during times of economic distress and geopolitical uncertainty, the value of gold will rise.

This makes it an important component in any portfolio, allowing investors to shield themselves from a major market correction.

#### Global economic uncertainty is growing

There are signs of growing global economic instability that will adversely impact global markets and fuel a major market correction. The world's largest economy China continues to stumble, with industrial activity for September remaining flat, along with weaker job data and a softer housing market. This makes it unlikely that China will hit the 7.5% annual GDP growth target set by Beijing for 2014.

The eurozone continues to stagnate with industrial activity for September in Germany and France contracting, while the U.K.'s hit its lowest point in 17 months. There are also fears of a triple-dip recession in the eurozone, which will see deflation emerge as a key issue, potentially wiping millions off the value of assets such as stocks and real estate.

These factors are weighing heavily on commodity prices and are key reasons for the decline in iron ore, coal, and oil prices. This is having a significant impact on those economies, which are dependent on commodity exports as a means of fueling economic growth like Brazil, Canada, and Australia.

While the U.S. economy has proven resilient so far, it is only a matter of time before it also feels the impact of slowing global economic growth and rising macroeconomic instability. When this occurs, I expect to see gold rally as investors flee global stock markets for the safety of gold.

### **What is the best way to invest in gold?**

When all of these factors are taken into account, it is clear the global economy is on a precipice, making now the time to invest in gold on the back of recent weakness.

Of the major miners, I believe it is **Goldcorp Inc.** (TSX: G)(NYSE: GG) that offers investors the best leveraged exposure to gold. It is a low-cost producer with all-in sustaining costs of \$852 per ounce for the last reported quarter. It also has a diverse, high-quality asset base with 54 million ounces of gold and 818 million ounces of silver.

Another low-cost operator to consider is **Yamana Gold Inc.** ([TSX: YRI](#))([NYSE: AUJ](#)), which while plagued with problems offers considerable promise for investors. Management have worked hard to reduce costs with AISC for the second quarter of 2014 of \$915 per ounce. It also has 50% interest in the Canadian Malartic gold mine, which is set to boost Yamana's low-cost gold production as a range of production initiatives are implemented on the back of a recently completed operational review.

Both miners offer investors the opportunity to gain exposure to the pending rally in gold, which should see their prices rebound sharply, offering investors considerable upside.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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