



## 3 Reasons to Sell Barrick Gold Corp. and Buy First Quantum Minerals Ltd.

### Description

Over the past three years, the fates of **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX) and copper miner **First Quantum Minerals Ltd.** ([TSX: FM](#)) could not have been more different. Over this time, Barrick shares are down by more than 70%. And while First Quantum shares have fallen as well — down by just over 20% — the company has made some very important gains.

Over this time, you would have been better off holding First Quantum than Barrick Gold. But even today, this is a switch still worth making. Below are three reasons why.

#### 1. Growing vs. shrinking production

In mining, it is important to grow production at the right time and in the right way. Barrick and First Quantum offer the perfect illustration.

On the one hand, Barrick grew production at the wrong time, by overpaying for assets and spending money too freely. As a result, the company is now cutting back ferociously, and production is declining. So even if you're looking to bet on the price of gold, Barrick's shrinking production may not be the way to do it.

First Quantum, on the other hand, has developed a fantastic reputation for buying assets cheaply and keeping development costs under control. As a result, it has been able to grow production in a very meaningful way – most notable has been the 2013 purchase of Inmet Mining and its massive Cobre Panama project. Thanks to that acquisition, First Quantum now hopes to produce 1.1 million tonnes of copper per year by 2018. Back in 2011, the company produced less than 270,000 tonnes.

#### 2. Gold isn't so shiny anymore

There's no denying that gold has been sliding for some time now, after nearly reaching \$1,900 per ounce in 2011. The latest bad news has been the end of quantitative easing, or QE, by the United States Federal Reserve. And the price could easily drop further, for a couple of reasons.

First of all, investors still account for about a third of gold demand. And much of this is caused by a

simple belief that we should all hold at least some gold in our portfolios. With gold having slid so much, that belief could fade, and that demand could collapse. Second, by most standards, gold is still relatively expensive. Historical standards still suggest that gold should be trading for under \$1,000 per ounce, and gold is still trading well above mining costs.

### **3. Copper's long-term prospects are better**

There's no denying that the copper market has seen better days. But there are some reasons to have faith in the metal in the longer term.

First, the long-term outlook for supply is not good. Producers are cutting back on investment spending, and explorers are having trouble getting financing. Remember, it takes a long time for copper projects to come on line. So if demand rebounds, then it may take a long time for supply to catch up.

Second, copper demand isn't actually dependent on investors. Rather, the metal is used for industrial purposes. And while China's growth has been slowing, any sort of rebound in the world economy would be very helpful for copper demand, as well as First Quantum's stock price.

That being said, there are other names you should consider besides First Quantum. Five are revealed in the free report below.

#### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

#### **TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:FM (First Quantum Minerals Ltd.)

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