



I Hate Gold, But if You Must Invest, Here Are 2 Reasons to Buy Goldcorp Inc.

Description

I am not a fan of investing in gold. It's a resource that gains value when there is fear and loses value when things are going fine. And when you hold that gold in your hand, it's really doing nothing for you, unlike equities in companies. At least those can grow, pay dividends, and generate you increased profits. And I'm not alone in this opinion. Acclaimed investor Warren Buffett feels gold isn't a good investment.

The markets also agree. The price of gold plunged to its lowest since April 2010. And there are some analysts who are suggesting that it could hit \$1,000/oz, which would be devastating to many of the mines out there.

Despite this, many investors feel that it is important to hold gold, in some form, in their portfolio. If you're going to do that, avoid the actual resource and, instead, buy the mine. And the one gold mine that I think is worth buying is **Goldcorp Inc.** (TSX: G)(NYSE: GG).

1. It's the best producer around

The company is one of the best producers on the market. Its all-in sustaining cost is \$852 per ounce of gold mined. What that means is that, even if the price of gold were to drop to \$1,000/oz, it would still be able to make about \$148 per ounce mined. That makes the company a safe bet because it's unlikely that the price will drop that much.

The company is also trying to increase its efficiency so as to decrease that all-in sustaining cost. The company expects to be able to save an additional \$185 million this year on top of all the other savings it has already found. That will allow the company to weather this bear market for gold.

Further, the company is pushing ahead with production. This will ensure that it has enough gold on hand when the price starts to increase. If this happens in the next three to six months, investors could really see a nice boost in profitability.

2. It's in an undervalued position

While it's true that I hate gold, I love great companies even more. The stock dropped over 10% after a weak third quarter, which has made it a really attractive point of entry. The weak quarter was attributed to some increased costs, which cut the overall profit for the company. Specifically, analysts had been expecting 18 cents profit per share and only got 9 cents profit per share.

But because this is the best producer around, I value it much higher. I think its pre-Q3 price of \$25 a share was a reasonable place to add, so being \$4 under that is just a steal in my opinion. If the price of gold can start to rise, this stock is going up.

Finally, the company will continue to pay you while you wait. The 3.22% dividend yield is really attractive and so long as the price of gold doesn't plummet, it doesn't look like it will have any trouble continuing to pay it.

A better bet than gold

Like I've said, I really hate gold. I just think it provides nothing good for my portfolio. I think there are way better ways to make money — check out this report we've put together that gives you an instant 5-stock portfolio.

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