

Are Barrick Gold Corporation and Goldcorp Inc. About to Be Saved by the Swiss?

Description

Gold miners are probably the most hated stocks in Canada right now, as the price of gold continues its ugly slide. Investors in Canadian giants **Barrick Gold Corporation** ([TSX: ABX](#))(NYSE: ABX) and **Goldcorp Inc.** (TSX: G)(NYSE: GG) have been running for the exits in ever-larger numbers, as each piece of bad news triggers massive sell-offs in the stocks.

With gold forecasts now coming in at \$1,100 per ounce for year-end 2014 — and as low as \$800 per ounce for 2015 — is there any hope of relief?

Maybe.

Citizens of Switzerland are set to vote November 30 on a referendum that could completely reverse the downward trend in gold. The Swiss have historically held significant gold reserves, but the country's government strayed from that trend over the past 15 years, and the people of Switzerland aren't happy.

Back in 2000, the Swiss government began unloading about half of the country's gold when the precious metal was trading in the \$200-\$300 range. The liquidation reduced the gold holdings of the Swiss central bank to less than 8% of its assets.

If the referendum passes, the Swiss National Bank will be no longer be allowed to sell gold, and the central bank must rebuild its gold reserves to represent 20% of its assets. The Swiss National Bank would also be required to repatriate gold that is owned by the Swiss but physically held in the U.K. and Canada.

The impact on the gold market could be significant. The Swiss National Bank would have to purchase up to 1,500 metric tons of gold bullion, according to analysts at UBS. Experts at Societe General SA suggest the requirement could go as high as 1,800 metric tons.

Members of the Swiss People's Party started the debate. The popularity of the idea caught the government off guard, and now the citizens of the country have a chance to radically alter the global gold market.

A "yes" vote in Switzerland would be a welcome piece of good news for investors in gold miners. The price of gold has dropped more than 40% from the September 2011 highs, and the shares of gold miners have been decimated.

How likely is the referendum to pass?

Last week, polls showed 38% of respondents are in favour, and 47% are against the proposal. But what's getting the attention of hedge funds is the fact that 15% of the respondents say they are still undecided.

With gold stocks trading at multi-year lows, contrarian investors are looking at their favourite

companies and deciding if now might be the time to take a small position. It is certainly a risky move, and it shouldn't be done with the expectation that the Swiss will save the day.

If you think gold stocks are too risky, consider some of the top recommendations from our analysts, included in the free report below.

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1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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