



3 Reasons to Avoid Kinross Gold Corporation

Description

It seems that **Kinross Gold Corporation** ([TSX: K](#))([NYSE: KGC](#)) just can't catch a break. As of this writing, the company's shares are down by 5% on the day, and are also off by 20% over the past week. This comes on top of previous losses – over the past three years, Kinross shares are off by about 75%.

At this point, the company's shares certainly appear cheap, trading around \$3. But there could be more pain ahead, resulting in further losses for shareholders. On that note, below are three reasons to avoid Kinross shares.

1. The Fed

The United States Federal Reserve has kept interest rates near zero in the years following the economic crisis, and this has benefited gold producers. With such low rates, many feared that rapid inflation would come, and gold seemed like ideal protection from such a scenario.

But it now seems, with falling unemployment and stronger economic growth, the Fed may be ready to raise rates. This would be a big negative for gold prices, and is easily the biggest concern for companies like Kinross. A rate hike would lower fears of inflation, and consequently make gold a much less attractive investment.

Immediate changes are unlikely. But observers are watching the Fed's statements closely. And if there are any hints of future rate hikes, then gold prices could get crushed. Kinross's share price would surely follow.

2. Russian selling

Put simply, the Russian economy is in crisis mode. As a result, the ruble has collapsed, having lost about half its value in 2014. The state is doing everything in its power to prop up the currency, including raising the benchmark interest rate from 10.5% to 17% this week. But none of these measures have been enough – the currency crisis has only accelerated.

So more measures may be needed. One option is to sell gold. Back in October, the state held over

1,100 tonnes of gold, its highest level since 1993. Central bank deputy chairwoman Kseniya Yudaeva has already said that such actions would happen if necessary. And this would of course be very negative news for gold producers and their investors.

3. More issues in Russia

The Russian state is doing everything in its power to defend its economy, except one. Vladimir Putin has made it very clear that he will not back down from his stance in Ukraine.

As a result, the sanctions against Russia will not be lifted any time soon. In fact they could even intensify. This is bad news for Kinross, which gets about 30% of its production from Russia.

Making matters worse, the Canadian government's stance against Russia has been harsher than that of other countries. This should surprise no one – Canada does not rely on the Russians for energy needs, there is a large Ukrainian population living in Canada, and Prime Minister Stephen Harper has taken pro-Ukrainian stances in the past.

So while Kinross's Russian assets are still producing, their future is very uncertain. This is yet one more big risk from holding the company's shares.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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