



George Soros Sold 2.1 Million Shares of Yamana Gold Inc; Should You Bail, Too?

Description

George Soros has made a living spotting trends before the general public.

In 1973, he founded the Quantum Fund. During his tenure, Soros delivered a 20% compounded annual return for his clients. That was more than double the performance of the **S&P 500** over the same period.

Needless to say, this type of track record puts Soros in the league of great investors. Because of his exceptional returns, I always pay attention to what stocks he's buying and selling. And right now, Soros is making some big bets against Canada's mining industry.

Is George Soros turning sour on gold?

In recent years, Soros hasn't hesitated to express his preference for hard assets like gold and silver. The thesis is straightforward: central bankers are flooding the world with fiat currency. The inevitable consequence of this policy is inflation.

That's probably why Soros has held positions in a number of mining companies. With rising prices, paper money is a terrible place to store your wealth. Mining stocks, in contrast, are excellent hedges against inflation.

However, Soros may be starting to sour on precious metals. Last June, the billionaire hedge fund manager owned over 2.1 million shares of **Yamana Gold Inc** ([TSX:YRI](#))([NYSE:AUY](#)). However, according to more recent SEC filings, Soros has sold off his entire stake in the miner.

And it's not just Yamana. Last quarter, Soros reduced or eliminated his positions in a number of other producers, including **Goldcorp Inc** ([TSX:G](#))([NYSE:GG](#)), **Silver Wheaton Corp** ([TSX:SLW](#))([NYSE:SLW](#)), and **Agnico Eagle Mines Ltd** ([TSX:AEM](#))([NYSE:AEM](#)).

The problem for gold bugs is that their thesis just isn't playing out. Despite the creation of trillions of dollars in new fiat currency, inflation is muted at best. And without rising prices, there's little reason for investors to hoard precious metals.

The cost of owning gold is increasing, too. Now that the global recovery is picking up steam, the U.S. Federal Reserve is dialing back stimulus. If interest rates rise, investors might start to reconsider holding a hunk of metal that pays you nothing.

Amid the recent decline in gold, more experts think prices will continue to tumble. In November, **Credit Suisse** analyst David Sneddon said he expects spot gold rates will hit US\$950/oz, from around US\$1,200/oz today. Analysts at Ned Davis Research even predicted that amid the ending "supercycle" for gold, prices could fall as low as US\$660/oz.

Needless to say, such a drop would be devastating for miners. Yamana is one of the lowest cost producers in the industry. However, the company still needs rates above US\$1,000/oz to breakeven. Others need even higher prices.

Warning: Hedge funds are dumping this gold miner

Soros isn't the only investor bailing on Yamana. Notable money mavens including Israel Englander, Michael Platt, and William Reeves have also closed or reduced their positions in the gold miner. Hedge funds in general have been unloading shares of other producers, too.

Why are all of these financial titans rushing for the exits? I'd say it could only mean one thing: they see more downside ahead.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:AUY (Yamana Gold)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:WPM (Wheaton Precious Metals Corp.)
5. TSX:YRI (Yamana Gold)

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