



Why Agnico Eagle Mines Ltd. Could Soar Over 30% in 2015

Description

Analysts are bullish on **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)), with a one-year target on the stock of US\$35.07, according to Capital IQ. This implies a greater than 30% appreciation in value from the stock's current price point. But is this bullish forecast a reality? Here are three factors that will support solid gains for Agnico Eagle Mine's stock in 2015.

Company hedged for U.S. dollar strength

Gold miners were, overall, a dud in 2014. Gold suffered last year as the Fed scaled back and eventually ended its bond buying program. This, along with other factors, caused the U.S. currency to appreciate dramatically. Gold is dollar denominated commodity, which means as the U.S. dollar gains in value, gold becomes more expensive for international buyers, which in turn decreases their demand for the metal, and this decreases gold's price.

As we start a new year, the U.S. dollar remains strong compared to other currencies, and that strength will likely continue, keeping gold and gold miners under pressure. Some gold miners; however, are better positioned to thrive as the U.S. currency remains strong. The key is to look at where their operations are located. Over 80% of Agnico Eagle Mines' operations are in Canada and Europe, giving the company a "natural hedge" against a stronger U.S. dollar.

Operating factors

Agnico Eagle's operating costs enable it to survive during the current, low-price climate. For 2014, it is estimated that the company's all-in sustaining costs came in at \$990 per ounce, which means even with gold hovering below \$1,200 per ounce, the company still has room to profit.

Agnico Eagle's operating costs are not the lowest in the business, but the key here is that the company has lowered costs while at the same time it has increased production, a rarity right now among the gold miners. Many gold miners are currently seeing operating costs go down, but with that production has missed targets. Agnico Eagle's ability to lower costs, and increase production guidance is a bullish factor, and supportive of the stock experiencing a healthy increase in value in 2015.

Gold is a necessary component of everyone's portfolio

Commodities performance is cyclical, and for that reason so is investor interest. It may make no sense to invest in certain commodities during certain points of the economic cycle, but many argue (and I tend to agree) that there is always a reason to have some position in gold.

Gold is the ideal safe haven investment. It is never a matter of if, but when for one reason or another, investor demand for safe haven investments will increase. Of the gold investments available right now, Agnico Eagle Mines is one of the best, making the company an excellent safe haven investment, and demand for safe haven investments, although cyclical, is very unlikely to ever go away.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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