



Could Goldcorp Inc and Barrick Gold Corp Double in 2015?

Description

Over the next couple of years, you could make triple-digit gains in one of the world's most hated industries: gold mining.

This opportunity is just too good to pass up. The last time these conditions came together, this sector rallied over 490%.

In fact, this might be the biggest 'no-brainer' investment I've seen in a while. And before the run is over, we could see prices triple or more.

Gold stocks rallied 490% the last time this happened

Investing in mining companies usually isn't rocket science. If gold prices go up, gold stocks move even higher. And if gold prices go down, gold stocks fall even more.

At least, that was the theory. In recent years that relationship has broken down. To see what I'm talking about, take a look at the chart below.

[goldminers](#) or type unknown

Source: Yahoo! Finance

Between 2009 and 2010, gold mining stocks (measured by the **NYSE Arca Gold BUGS Index**, or HUI, in blue) performed as expected. It tracked the price of gold (in black), but with more ups and downs.

But in 2011, the HUI started to badly underperform. Over the past four years, gold has been roughly flat. Gold stocks, in contrast, actually fell by more than 70% during the same period.

Part of the reason is that investors have lost confidence in the industry. Costs have been rising faster than revenues, not to mention the challenge of finding new high-grade mines in safe places.

These are valid concerns, but we've seen this type of pessimism before. An easy way to size up this group is to divide the value of the Gold Bugs Index by the price of gold. When the HUI/gold ratio is low,

miners are cheap.

Today, this ratio is near all-time lows. The only other time miners have been this cheap relative to gold was back in 2001. Back then, this group as a whole rallied 490% over the next three years.

So if gold miners are cheap, what is the best way to invest? A broad-based index like the **Market Vectors Gold Miners ETF** is a good bet. This exchange traded fund allows you to buy a piece of every gold miner in one shot.

But my preferred strategy is to dig into individual names. My two favourites are **Goldcorp Inc** (TSX:G)(NYSE:GG) and **Barrick Gold Corp** ([TSX:ABX](#))(NYSE:ABX). These firms have the scale to survive the industry's current doldrums, but also the leverage needed for explosive gains.

If you don't buy gold stocks now, you'll kick yourself later

But a word of warning: gold miners are carving out a bottom. Some of the world's smartest money maven are pouring millions of dollars into this sector. And over the past two months, the industry is up 20%, handily beating the 5% rise in gold prices during the same period.

And this could just be the beginning.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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