



## 2 Key Catalysts Set to Drive a Continued Rebound in Gold for 2015

### Description

The last year was a tough year for gold investors with the lustrous yellow metal finishing the year flat, and around 40% down from its September 2011 bull market peak of \$1,923.70 per ounce. But there are signs that 2015 will be year the gold rebounds, with it already having gained 4% since the start of the year.

This is good news for beaten-down gold miners whose shares were pummeled by the market throughout 2014. Even after the recent rebound in gold the **NYSE ARCA Gold Bugs Index** — an equal dollar weighted index of the 18 largest listed gold miners — is still down by 11% over the last year. In conjunction with the expected rally in gold, this indicates that there are a number of buying opportunities among listed gold mining stocks.

Let's take a closer look at the key catalysts expected to drive gold prices higher over the course of the year and the best investments to take advantage of this.

### Growing global macro-economic volatility

A key driver of the recent rebound in the gold price and one that will continue to drive demand as investors seek out gold as a safe haven investment is a slowing and increasingly volatile global economy.

Already the World Bank is cautioning that China's economic slowdown may be far more severe than anticipated, a key risk to the global economy, with commodities most at threat.

The world's second largest economy, the Eurozone remains a basket case, having crossed the deflationary threshold earlier this month. When this is coupled with fears of Greece exiting the Euro, it appears any chance of an economic recovery in the near to midterm is extremely unlikely.

### Weaker commodity demand is adding to global economic instability

These factors are key contributors to weaker commodity demand in particular for oil, iron ore, and metallurgical coal, which is threatening to create a crisis in some of the world's largest emerging

markets.

Already Venezuela has fallen into crisis because of markedly lower crude prices, while the Russian ruble is in free fall for the very same reasons. Brazil is also struggling with its own economic issues, falling into recession at the end of last year and is set to experience further economic pain from lower crude prices with oil being its second largest export after iron ore.

Any sustained crisis in emerging markets has the potential to derail the U.S. economic recovery, creating another blow for global economic stability and growth. When this occurs, demand for gold, the most widely recognised safe-haven investment, will grow among investors as they seek to weatherproof their portfolios.

### **What are the best ways to take advantage of a rebound in gold?**

There are a number of opportunities for investors to bet on the rebound in gold, including investing in physical bullion or an exchange traded fund. But these options I believe are inferior to the opportunities available among beaten-down gold miners. This is because neither offers leveraged exposure to the gold price and have higher costs for investors than holding gold mining stocks.

Among the gold miners, I have been [quite bullish](#) on **Goldcorp Inc.** for some time because of its strong balance sheet, diversified portfolio of gold and silver assets as well as lower operating costs. These were also among the reasons analysts at Raymond James upgraded their outlook for Goldcorp from outperform to a strong-buy earlier this week.

But there are other opportunities among beaten-down gold miners, with another my preferred options being **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)). The company is set to continue growing production as it ramps up activity at the Canadian Malartic mine along with the acquisition of Cayden Resources Inc. It also remains a low cost producer with 2014 all-in sustaining costs expected to come in at \$990 per ounce.

These characteristics leave it well positioned to take advantage of the rebound in gold and generate healthy earnings growth over the course of 2015, while giving investors leveraged exposure to the price of gold, maximising their potential returns.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/08/27

**Date Created**

2015/01/14

**Author**

mattdsmith

default watermark

default watermark