

## 1 Big Reason Goldcorp Inc. Could Hit \$50

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is up almost 35% in the past month and the stock could continue to rocket much higher.

A surprise announcement by the Swiss National Bank (SNB) is responsible for Goldcorp's latest surge, and the news might be the straw that finally breaks the gold bear's back.

On January 15, the SNB abruptly scrapped its policy of trying keep the Swiss franc capped at a value of 1.20 francs per euro. The decision comes just one week before the European Central Bank is expected to unleash an aggressive bond-buying program to fight off deflation.

SNB Chairman Thomas Jordan said the cap had to be scrapped because it was unsustainable. He also said, "you have to take the market by surprise when you exit such a program". That he definitely did.

The decision sent the swiss franc soaring nearly 30% against the euro, and money flooded into the gold market as the precious metal suddenly regained its shine as a safe haven.

The SNB announcement is just the icing on the cake of a number of things going on in the market that have been bringing punters back into gold.

The precious metal had been under pressure as a strengthening U.S. economy signaled a possible interest rate hike as early as the spring. Now, it looks like the Federal Reserve might not be so eager to pull the trigger as global growth slows and signs of deflation creep up around the world.

Recent data out of the U.S. also casts doubt on the timing of a Fed move. U.S. retail sales dropped in December, and unemployment claims rose to the highest level in four months.

The price of gold was already moving higher in the past week, but the SNB decision drove the gold price back above its 200-day moving average. For the technical gang, this is a positive sign.

On the demand side, HSBC analysts sent out a report on January 13 that suggested gold demand could increase by 15% in 2015.

While all this is going on, Goldcorp continues to improve operations. On January 12, the company reported record gold production for Q4 2014. For the entire year, the company said its all-in sustaining costs dropped by 6% to \$950 per gold ounce.

An important note for investors is the expected 20% production growth in 2015. At the same time, Goldcorp's all-in sustaining cost for this year are expected to be between \$875 and \$950 per ounce.

Dividend fans might also get some cheer as the company expects capital spending to drop, which could mean more free cash flow directed to distributions.

Goldcorp expects global demand in 2015 to increase based on strength in Asia. Global production is projected to be flat.

### **Should you buy?**

Goldcorp has had a nice run off the December lows as both the company and the gold market are enjoying some strong tailwinds. If you think the bottom is finally in for gold prices, this is probably a good time to take a small position in the company.

Goldcorp is still a contrarian bet. If that's the type of investment that appeals to you, take a peek at the following report.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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