



2 Reasons Goldcorp Inc. Is a Buy

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) has seen some really nice growth over the past month and I believe that there is more room for it to grow. Many things appear to be going right for the gold mining world as a whole, but because Goldcorp is the best mine in the business, my focus is on this one company.

There are two big reasons why Goldcorp is a buy.

1. Gold rises on unsure global economics

When there is fear around the world, the price of gold rises. Many consider it to be the safest store of value in the world, which explains why the price of gold has been rising the past few weeks. There is serious concern about whether Europe is going to hit another recession. The European Central Bank just announced that it is going to be buying up bonds to try and push some stimulus into the economy.

Only a week ago, the Swiss National Bank announced that it had scrapped its policy of keeping the Swiss franc capped at 1.20 francs per euro. When that happened, the currency rose 30% against the euro. This sort of sudden change in currency valuation caused shock waves through the market and forced people into gold.

2. Goldcorp's business strategy works

As I always say in my articles about gold, this company is the best gold mining company in the world. It is the most efficient and that means it can weather the storm when the price of gold drops. Fortunately for Goldcorp, the price of gold is rising and as long as things are bad in Europe, the price will continue rising.

The company announced that for the entire year, its all-in sustaining costs dropped by 6% to \$950 an ounce. That means that it cost Goldcorp \$950 to get a single ounce of gold out of the ground. The lower this number, the more money Goldcorp gets when it sells its gold. If gold goes up, that just increases the margin. The company is continuing to push to get that all-in sustaining cost down to \$875, which would be a great coup.

What is also working in the company's benefit is its modified strategy of buying rather than building. It announced that it was cutting its capital spending significantly. Then a few days ago, Goldcorp announced that it had bought Probe Mines in an all-stock deal. Probe Mines has about 1.6 million ounces underground. What's great about this acquisition is that the mine is ready to go. Goldcorp didn't have to survey the land, build the mine, and finance the entire operation. That's good news for Goldcorp.

Goldcorp is a buy, but so is this company

With global demand for gold on the rise, Goldcorp is going to have a very good 2015. And I believe that the share price is going to appreciate rather nicely because of that. However, Goldcorp is not the only company that I believe is a buy.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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