



Eldorado Gold Corp.: the Canadian Company That Benefits Most From a Grexit

Description

As Greece imposes capital controls and shuts its banks, a so-called Grexit—which would see the country depart from the Eurozone—looks more likely than not. It's a terrifying time not only for the Greek people, but for the world economy as well.

As a result, stocks around the world are in full retreat, and Canadian stocks are no exception. But there's one company whose shares aren't retreating at all. In fact, as of this writing, they've slightly increased in value.

I'm speaking, of course, about **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)), a company that has been hit by hard times in recent years. The gold miner was once a high flier, and traded at a big premium thanks to its fantastic growth profile. But more recently, the company has been hit by rising costs at its Turkish mine, falling gold prices, and deferred growth plans.

Making matters worse, the new Greek government is firmly opposed to Eldorado's Skouries mine in the country. As a result of all these factors, the company's stock price has fallen by more than three quarters since September 2011.

So, why would a Grexit be positive for Eldorado?

Not everyone is opposed to the mine

The Skouries mine provides much-needed jobs to the struggling Greek economy, but there are concerns it will harm the environment nearby, and that tourism will take a hit. Some local residents are fiercely opposed.

The left-leaning Syriza party is also staunchly opposed to the mine, and has made that very clear. So, when it won the national election in January, Eldorado's share price fell by a whopping 13% in one day.

But not everyone is against the mine. In mid-April, about 4,000 workers and other supporters protested against Syriza's decision to shut the mine down.

If a Grexit does indeed occur and Greece is thrown into a tailspin, then Syriza will certainly be marginalized. It could even find itself out of power, with a more pro-business government emerging in its place. This would be good news for the Skouries mine.

Lower costs

If Greece exits the Eurozone, domestic prices should fall to the point where exports are competitive again. This would be great news for Skouries, whose costs are mostly paid to local labourers and suppliers. The gold, of course, would still be sold in U.S. dollars.

So, a Grexit could mean the best of both worlds for Eldorado. If the Syriza government loses power, the mine would be more likely to go ahead. And then it could benefit from lower costs.

This doesn't mean you should leap at Eldorado. But if you're afraid of a Grexit wreaking havoc on your stock portfolio, this could be a way to reduce that risk.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

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