

## Gold Stocks Are Holding Their Own During the Bullion Price Slump

### Description

Bullishness is hampering the price of gold. Under normal conditions, the crisis in Greece would help gold prices rally, with investors using the yellow metal as a haven during tough economic times. Instead, gold has fallen to a three-month low because gold-market timers aren't supporting a new bull market or even a sustainable rally. However, there are a couple of Canadian gold stocks going against this contrarian trend.

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) shares have climbed more than 6% this year on the TSX despite weak bullion prices. In addition, the company recently introduced an aggressive debt reduction program, planning to reduce its debt to \$3 billion by the end of 2015 from \$13 billion.

The company has also reduced its capital spending, identifying \$200 million in capital expenditure reductions for 2015, with further reductions expected later in the year.

Barrick's full-year gold operating guidance remains on track for 6.2 million to 6.6 million ounces at all-in sustaining costs of \$860-895 per ounce, one of the lowest in the industry. Production will be approximately 55% weighted to the second half of the year and costs are expected to be 20% lower in that period.

Barrick has a dividend of \$0.06 per share and a dividend yield of 1.88%. Second-quarter earnings, which should provide an update on the company's debt and capital reduction plans, are due August 5.

Despite a weaker stock price and lower first-quarter gold production, **Goldcorp Inc.'s** (TSX:G)(NYSE:GG) overall production is expected to be weighted to the second half of the year primarily due to new mine ramp-ups at Cerro Negro in Argentina and Eleonore in Quebec as well as the planned mine sequence at its Penasquito mine in Mexico.

For 2015 the gold company expects to produce between 3.3-3.6 million ounces of gold, with all-in sustaining costs between \$875-950 per ounce, driven primarily by new contributions from the Cerro Negro and Eleonore mines. Gold production is expected to increase over the course of 2015 as mining continues into the higher-grade portions of the Penasco pit at Penasquito and at both Cerro Negro and Eleonore.

Capital expenditures for 2015 are forecasted to decrease approximately 40% from 2014 to between \$1.2-1.4 billion. Goldcorp also has a dividend of \$0.06 with a dividend yield of 3.61%.

Both Barrick Gold and Goldcorp are expected to hold their value during an extended bullion price downturn, which shows no sign of letting up. Barnabas Gan, an economist at Overseas-Chinese Banking in Singapore, expects gold to fall an additional 10% by the end of 2015, dropping to \$1,050 U.S. an ounce, a five-year low. Gan has been the most accurate gold price forecaster over the past two years, according to Bloomberg data.

Gan said the U.S. Federal Reserve's plan to boost interest rates will in turn drive up the value of the

U.S. dollar. A stronger U.S. dollar reduces gold's appeal as an alternative investment. No matter where you think gold prices are going, Barrick Gold and Goldcorp offer opportunities as turnaround stocks for investors willing to take on a little risk.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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