

## Why Goldcorp Inc. Dropped to a Decade Low

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) investors were in for a rude awakening on Monday when the stock dropped over 10%, losing over \$2 in value in the matter of hours. As is usually the case when there is chaos, many investors immediately look for the sell button, trying to save as much of their money as they possibly can. While that is the easy way out, I would implore that investors don't start selling their shares yet.

When it comes to investing, I live by a very simple rule that Warren Buffett is notorious for saying: "Be fearful when others are greedy and be greedy when others are fearful." In other words, when everyone else is freaking out, being contrarian will sometimes give you the chance to make a considerable amount of money.

However, before deciding whether Goldcorp has just become an incredible investment, it helps to understand what's going on.

### Why Goldcorp plummeted

Gold has a few uses. It is used to make jewelry. It can also be used to conduct electricity, which makes it useful, to an extent, in many of today's electronics. However, what it is most often used for is as a store of value. When investors are concerned about where the markets are going, they buy gold because it has historically been a great store. While I don't agree that gold is a great "safe haven" asset, I'm in the minority.

This slide in the price of gold—and therefore in the price of Goldcorp—is due to China revealing it hadn't purchased as much gold as analysts had originally expected. This led to a small drop in the price of gold that helped it reach a technical level for short-sellers. That, in turn, resulted in a mass dumping.

Further, there is a perfect storm against gold right now. Interest rates are low, inflation is low, and the dollar is very strong. With this sort of scenario, there's little reason to buy gold as an asset because there's nothing to defend against. With a strengthening economy, there's no need for a safe haven, so investors leave gold for assets that actually generate a dividend of some sort.

### Don't dump Goldcorp yet

Here's the thing: unlike gold, which doesn't generate any dividends, Goldcorp does. Therefore, if you're an investor in Goldcorp, you're holding an asset that will pay you to hold those shares. That makes it a safer investment than gold itself.

Because of this, I would highly advise against making a fearful sell. The fundamentals of Goldcorp are sound. The company is increasing its supply and it is becoming an even more efficient company, which should help it generate profits even if the price of gold continues to drop.

Don't contribute to the blood in the water. Wait to see what happens, and then perhaps you can buy even more shares of the company when the price is much cheaper.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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