



What's Next for Eldorado Gold Corp. in Greece?

Description

Without a doubt, **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)) is the Canadian company most affected by events in Greece, and this has especially been the case over the past few days.

We take a closer look below and try to predict what's next for the company.

How we got here

Eldorado's current struggle can be traced back to late January, when the left-leaning Syriza party won Greece's national election. Syriza had always been opposed to Eldorado's Skouries gold mine in northern Greece and seemed determined to stop its development. Eldorado shares plunged by as much as 22% the next day.

Then in late February the new Ministry of Energy revoked the approval required for a processing plant at Skouries. Eldorado vowed to fight the decision and continued development work in the meantime. But the company's shares still fell by as much as 10% in response.

Then in August it looked like Eldorado finally caught a break. Facing a backlash for Greece's latest bailout deal, Prime Minister Alexis Tsipras resigned and called for a snap election in September.

But then on Wednesday the Ministry of Energy suspended the technical studies pertaining to Skouries. This forced Eldorado to halt the project's development. Once again, the stock reacted negatively.

This is the last thing Eldorado needs. The company issued very weak guidance in mid-January, and gold prices have been falling too. All told, the company's shares are down by about 50% over the last seven months.

Where do we go from here?

Given what's happened to Greece this year, it's difficult to imagine how Mr. Tsipras can return to power. After all, he was elected after promising to secure better terms from the country's creditors. The opposite has happened, leaving Greece in a very precarious position.

Yet Mr. Tsipras remains very popular within Greece, and his opposition is deeply divided. Political pundits widely expect him to return to power.

One interesting wrinkle will be the new "Popular Unity" party, which consists of anti-austerity MPs that were members of Syriza. These MPs are, of course, very unhappy with Mr. Tsipras, and will certainly take a large share of the votes in September.

Ironically for Eldorado, Popular Unity is being led by Panagiotis Lafazanis, who was energy minister until mid-July. Of course, he will fight to prevent Skouries from seeing the light of day.

At this point, it looks like the main contenders in September's election will be Mr. Tsipras and Mr. Lafazanis. Thus, there's not much light at the end of the tunnel for Skouries.

Should you buy the stock?

If Skouries ever does produce an ounce of gold, it won't be for a long time. And this doesn't seem to be fully reflected in Eldorado's share price. If you own the stock, you should probably sell.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:ELD (Eldorado Gold Corporation)

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