



What's the Better Gold Stock to Invest in?

Description

Gold prices have been on a roller-coaster ride for the past few years. The magnificent drop from the 2011 high of near US\$2,000 an ounce to under \$1,100 seen earlier this year is painfully known to investors, but recently the price has started to creep back up, closing above US\$1,160 per ounce.

While it may be some time before prices get back anywhere near the 2011 highs, gold-producing companies are finally starting to rise in value along with the precious metal. Let's take a look at a few of them to see which ones should be part of your portfolio.

Goldcorp Inc.

Goldcorp Inc. (TSX:G)(NYSE:GG) usually leads the pack of gold producers. The company is one of the largest producers in the world and has an impressive portfolio of mines scattered across North, South, and Central America.

Goldcorp has an advantage over competitors in terms of volume and price. Over the past few years of decreasing gold prices the company has managed to become fairly efficient, keeping costs near \$900 per ounce. Goldcorp reported record production for the most recent quarter at over 900,000 ounces, representing a significant 40% increase over the same quarter in the previous year.

Another factor in Goldcorp's favour is the amount (or lack thereof) of debt. Unlike some other competitors, Goldcorp's debt, which is approximately \$2.6 billion, is significantly lower. Goldcorp currently trades just shy of \$20 and is up by nearly 11% in the past month.

Barrick Gold Corp.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) has recently made significant strides in reducing costs and increasing efficiencies. The company has cut dividends, sold assets, and targeted other areas to slash costs and reduce spending; its target is to achieve \$2 billion in cuts for 2016. Administrative cost savings of \$150 million between this year and next year are also being targeted.

Some of these efforts are finally bearing fruit. The company most recently posted a much smaller loss

for the quarter—\$9 million. This is compared with a \$269 million loss for the same quarter last year. Should these trends continue the company is expected to turn a healthy profit fairly soon.

Barrick has significantly more debt than other competitors, with a debt-to-equity ratio of 1.26. The company set a goal to shave off \$3 billion of debt for 2015 and appears to be nearing that target. Barrick has fared well recently, with the stock up by nearly 13% to just under \$10 in the past month.

Both of these stocks represent good opportunities for investors looking to get into or diversify with a metal stock. In my opinion, however, Goldcorp represents the better opportunity of the two. The more efficient extraction costs and its significantly lower debt can be seen as a source of more reliable growth, irrespective of which way the current gold rally will turn.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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