



What Will 2016 Hold for Yamana Gold Inc.?

Description

For gold producers, 2015 will go down as another “almost” year. Each year since the epic collapse of the precious metal in 2011, gold producers have hoped that gold prices would stop losing value and start to appreciate again. And each year, that almost happens.

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) is one of those gold producers. The company has so far done a stellar job at reducing operational and capital costs in the face of decreased gold prices. But in 2015 the stock plummeted by over 50%.

Gold prices

The good news for Yamana and for the gold market on the whole is that analysts are now saying that 2016 will not be another almost year; it will be *the year* that gold finally starts to pick up—eventually.

One factor that may delay prices from rising in the short term is interest rates. The U.S. Fed raised rates at the end of last year, and there's a weak correlation between interest rates and gold prices. Should interest rates continue to go up, gold prices may drop or may not rise as quickly as most would expect.

The good news for gold prices is that between falling commodity prices, tumbling currencies, and markets that are not performing very well for the most part, there is safety in investing in gold. The limited supply of the metal should mean that prices will start to appreciate.

Gold is already up in 2016, passing the US\$1,100 range that it fell below late last year.

Yamana's costs and supply

Yamana is a low-cost producer of gold that is becoming more efficient with each passing quarter. In the last quarter production increased year over year by 16%, whereas costs have been steadily decreasing as the company becomes more efficient.

Yamana's all-in sustaining costs of producing an ounce of gold across all operations is approximately

\$841. This is due to capital expenditure cuts, which surpassed 45% last year over the previous year's levels, as well as a significant cost reduction at the company's core mines.

Both of these factors have created an extremely lean and productive gold producer, resulting in a positive impact to the company's cash flow. With development at the company's core assets completed, capital expenditures may decline even more during the year, reducing costs even further.

Yamana's current efficient operations should ensure that the producer is able to weather any temporary dips in price. Over the long term, Yamana is set up to be an extremely efficient gold producer and should reap significant revenues once the price of gold picks up later this year.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:YRI (Yamana Gold)

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