



## Will Goldcorp Inc. Continue to Rally on the Trump Win?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) rose more than 5% after the surprise result in the U.S. election.

Let's take a look at the current situation to see if more gains could be on the way.

### Gold market

Gold surged on November 9 as global investors moved into safe-haven assets after Donald Trump won the U.S. presidential election.

The fear comes as international markets try to sort out what the implications could be, ranging from increased global instability to the potential for a widespread global economic slump if Trump pushes ahead with plans to renegotiate trade agreements.

Gold investors are also wondering if a Trump win will impact the Federal Reserve's plans to raise U.S. interest rates in 2017.

The Fed has held off raising rates in 2016 amid concerns about economic weakness in China and the effects of the Brexit vote. Analysts now think a potential December rate hike is off the table, and the Fed could continue to sit on its hands until the Trump administration takes office and begins to implement some of its economic plans, which have been vague throughout the campaign.

Leadership at the Federal Reserve is also in question. Trump has criticized Fed Chair Janet Yellen and suggested he might replace her in January 2018. Some pundits think she might even resign beforehand.

The bottom line?

The Fed is likely to take a wait-and-see approach in the coming months as the new administration rolls out policy changes. This should be positive for gold in the near term.

## What about Goldcorp?

Goldcorp has lagged its peers in 2016, but contrarian investors are starting to warm up to the name.

The company delivered solid third-quarter numbers as it continues to make progress on its turnaround plans. Net earnings for Q3 2016 came in at US\$59 million, or \$0.07 per share, compared to a loss of \$0.23 per share in the same period last year.

Cost cuts, higher gold prices, and a stronger U.S. dollar all contributed to the improved results, despite a 21% year-over-year drop in revenue on lower production.

All-in sustaining costs (AISC) are trending lower, and that should continue as the company reduces expenses and increases output. Production guidance is still at 2.8-3.1 million ounces for 2016, and the company is on track to hit its goal of taking US\$250 million in annual expenses out of its operations by 2018.

Goldcorp is pushing ahead with expansions at two mines and recently closed its acquisition of the coveted Coffee project, which should begin production in 2020. Annual output is expected to be about 200,000 ounces for the first five years.

## Should you buy?

Owning any of the miners right now requires a belief the gold rally is about to get its second wind. If you are in that camp, Goldcorp is starting to look attractive again and could outperform over the medium term.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

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