



## Goldcorp Inc.: Is the Pullback Over?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is down more than 30% since early July, but the stock is catching a bit of a tailwind right now, and investors are wondering if this is a signal the bottom has been reached.

Let's take a look at the current situation to see if Goldcorp deserves to be in your portfolio.

### Operating results

Goldcorp generated decent Q3 2016 results as it continues to work through a transition process.

Lower operating costs, higher gold prices, and a rising U.S. dollar helped the company deliver US\$59 million in net earnings for the quarter. That translates into US\$0.07 per share, which is better than the loss of US\$0.23 per share the company reported in Q3 2015.

The positive earnings result is impressive considering revenue actually slid 21% year over year on lower production. The drop in output is one reason the company has lagged its peers in 2016, but that issue should reverse in the coming years.

### Growth

During Q3 Goldcorp completed its purchase of Kaminak Gold, which comes with the promising Coffee project. Coffee is expected to produce 200,000 ounces per year beginning in 2020.

Goldcorp is also moving ahead with expansion plans at two of its existing mines and continues to work through some start-up challenges at two additional sites that went into commercial production in 2015.

As production ramps up to target capacity at the newer sites, all-in sustaining costs (AISC) should trend lower.

### Gold outlook

The Trump election win has put pressure on gold in recent weeks.

Much of the pain is connected to a stronger U.S. dollar, in which gold is priced. The rally in the stock market has also contributed, as reduced investor fear has triggered a move from safe-haven assets into equities.

Finally, concerns about coming interest rate hikes in the United States have some investors moving out of their gold holdings. Higher rates tend to be negative for gold because they increase the opportunity cost of holding the yellow metal.

Where gold goes from here is anyone's guess, but some pundits believe the price could rise in the coming months.

Why?

A December rate hike in the U.S. is pretty much a given at this point, so there shouldn't be much downside if the Fed decides to move.

Beyond that, Trump's plans to cut taxes and spend billions on new infrastructure could stoke inflation concerns, which tend to boost gold demand.

In addition, Trump is expected to cancel or renegotiate several trade deals. This could destabilize international markets and drive investors back into gold.

### **Should you buy?**

Goldcorp is making progress on its turnaround efforts, but more work has to be done, so I wouldn't back up the truck today.

That said, if you have a contrarian investing style and believe gold is definitely headed higher in the coming years, it might be worthwhile to add a bit of Goldcorp to your portfolio while the name is still out of favour.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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