



Is Goldcorp Inc. About to Hold Another Rally?

Description

The past year has sent shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG) on a wild roller-coaster ride. In January, shares touched a low of \$13.55 only to rally to a high of \$26.56 in July. Since then, shares have been on a consistent decline to the current price of approximately \$16.25. A lot of effort has gone into making a very small gain. Year-to-date, shares have increased approximately 1.6% in addition to the total distributions of approximately \$0.16 per share, which translates to an additional 1% in return.

Long-term shareholders haven't had much to smile about in the past year. The market, which rallied considerably since the presidential election, has not been so kind to Goldcorp. Since September, shares are down in excess of 20%.

Long-term shareholders of Goldcorp have experienced an even greater destruction of value. Over a five-year period, shares have declined 65%, and the dividends, which were previously monthly, have since been moved to quarterly and reduced to no more than \$0.03 per unit.

What does this tell us?

Investors who want the monthly dividend shouldn't be buying strictly for yield. A high yield is the equivalent of spending more than you make. Eventually, the bank account has to go into overdraft, or spending has to be reduced.

The fundamentals around gold were not as clear cut as originally thought. The decline in price has been a gradual slide down the hill. Except for a handful of brief periods over the past five years, the stock has not traded above the 200-day moving average. In addition, the 50-day moving average has spent very little time above than the 200-day moving average. The bottom has been unclear given the technical indicators.

In 2016, the 50-day moving average did cross over the 200-day moving average, showing investors there was hope of a bottom and recovery. Only after the catalyst of the election did the slide resume and send the share price back to current levels.

Why buy now?

The share price is now approaching a level where assets minus liabilities (known as book value) is getting closer to the actual share price. The book value per share is approximately \$15.63, and shares are trading at approximately \$16.25. It seems we're getting closer to a bottom line in value, assuming the bottom doesn't fall out of the price of gold. Let's not forget, the previous 52-week low coincided with the market sell-off in January.

Conclusion

Goldcorp Inc. is no different than most resource companies—it could shift on a dime. Investors looking for opportunity may find it at current levels, or they may have to wait for another major pullback. The short term is very hard to tell. Long-term investors purchasing at current levels will get the last laugh.

Remember: stay Foolish!

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/02

Date Created

2016/12/22

Author

ryangoldsman

default watermark

default watermark