



Goldcorp Inc.: Is it Time to Buy This Unloved Stock?

Description

Goldcorp Inc. (TSX:G)(NYSE:GG) has quietly gained 15% since the middle of December, and investors with a bullish view on gold are wondering if this is the right time to buy the stock.

Let's take a look at the former poster boy of the gold sector to see if it deserves to be in your portfolio.

Lost shine

Goldcorp used to be the go-to name for investors looking to put a miner in their portfolios, but the stock has trailed its peers in recent times.

What's up?

Goldcorp is working through a turnaround plan focused on reducing costs and is targeting new investments at high-return assets.

More work needs to be done, but the company is making decent progress.

Goldcorp reported Q3 2016 net income of US\$59 million, or US\$0.07 per share, which was much better than the US\$0.23 per share the company lost in the same period in 2015.

Reduced operating costs, better gold prices, and a stronger American dollar all helped the company improve results.

The big concern in the quarter was the 21% year-over-year drop in production, but that situation could be set to improve.

New investments

Goldcorp acquired Kaminak Gold last year in a deal that brings the coveted Coffee project into the development portfolio. Coffee is expected to produce 200,000 ounces of gold per year beginning in 2020.

Goldcorp is also moving ahead with expansions at two current mines and is working through some teething pains at two other sites that went into commercial operation in 2015.

All-in sustaining costs (AISC) for Q3 came in at US\$812 per ounce, which is down significantly from US\$858 per ounce in the third quarter the previous year. As cost improvements continue and new production comes online, AISC should continue to fall in the medium term.

Gold outlook

Gold fell through the back half of 2016 on increased fears about rate hikes in the United States. The Trump election win extended the slide.

More volatility should be expected in the near term, but recent strength suggests bargain hunters feel the sell-off might have gone too far.

Why?

Trump's aggressiveness towards China, and his plans to cancel or renegotiate trade deals, could destabilize global markets in 2017.

Europe might also trigger a move to safe-haven gold as France, Germany, and quite possibly Italy are set to hold national elections.

Talk of a Frexit could resume, and Angela Merkel might fall victim to the refugee crisis. On top of that, Italy's banks are a mess, and the recent "no" vote in the Italian referendum could result in early elections that bring the anti-establishment Five Star Movement into power.

So, there are a number of potential catalysts for a gold rally in 2017.

Should you buy Goldcorp?

Goldcorp is starting to turn things around, and investors are taking notice. I wouldn't back up the truck, but if you are a gold bull and have a contrarian investing style, it might be worthwhile to start a small position in Goldcorp while the name is still out of favour.

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