



The Gold Train Is in the Station, But Not for Long!

Description

Looking back through history, gold has often performed well during times of uncertainty. As of February 2017, we are in full swing of a new presidential term, and the changes are starting. Although change can be exciting, more often than not, it is met with insecurity and fear.

Putting aside my personal opinion for the individual now leading the United States, the reality is, the country, the equity cycle, and the economic cycle are now weighing expectations and reacting in anticipation. No matter who the president was going to be, a clear transition was on the horizon — uncertainty was inevitable.

Looking at gold over the past few weeks, long investors have done fairly well, given a number of the decisions made by the new U.S. president have made a number of people uncomfortable. Shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG) are currently trading above \$20 per share, while shares of **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX) are trading above \$24 per share.

Why invest in gold companies?

The commodity or precious metals sectors are often very difficult sectors to analyze. Although the price of the commodity will give some indication of the tangible book value of the company, the reality is, the fluctuations in the underlying commodity can cause a discrepancy between the share price and what is reported on the balance sheet.

One of the most important things investors forget is how the equity cycle leads the economic cycle; the stock market is very good at factoring in the future demand for products or services. In the case of gold, the demand is coming from investors who currently do not believe the economic cycle will properly follow the equity cycle.

The technical indicators regarding both Goldcorp and Barrick are very similar. Both companies are coming out of a small pullback and have been trading more sideways than anything. The interesting thing to be watching for right now is how the stock prices are hovering right around the 200-day simple moving average (SMA) for both companies. Given the sideways trading for both stocks, the 50-day SMA is currently catching up from underneath and may either push the stock higher or signal a

pullback on the horizon.

As always, investors should be buying based on fundamental analysis all the while considering the technical indicators so as not to catch a falling knife — or fall into a pit!

In the case of both Goldcorp and Barrick, the share prices are trading in excess of tangible book value per share, signaling that not everything is going to be rosy in the coming economic cycle. Let's remember, gold companies are often the refuge for investors wanting to go against the crowd.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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