



## 3 Reasons to Consider Goldcorp Inc.

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is trading at a three-month high, and investors are wondering if the latest rally has legs.

Let's take a look at the reasons why the stock might be an interesting pick today.

### Production turnaround

For years, Goldcorp was viewed as the go-to name in the gold sector, but the company hit a rough patch in 2015 and lost some of its fans.

Falling production and weak gold prices forced the company to cut the dividend in July 2015, and then again in February last year. The moves rocked the confidence of investors, but management is slowly winning back their favour.

How?

The company is squarely focused on developing high-return assets in the coming years and has made a series of decisions that appear to have the business back on track.

For example, Goldcorp purchased Kaminak Gold last year in a deal that gave the company ownership of the coveted Coffee project in the Yukon. Coffee is expected to produce 200,000 ounces of gold per year beginning in 2020.

Goldcorp has also decided to invest in high-return expansion projects at two of its existing mines and is still working through the ramp-up phase at two other sites that began commercial operations in 2015.

These efforts should produce a rebound in gold output. The company's Q3 2016 production was 21% lower than the same period in 2015, but management sees production growth of 20% over the next five years.

On top of that, gold reserves are expected to increase by a similar amount.

### **Cost improvements**

Production gains are one side of the story, but Goldcorp is also making progress on improving its operational efficiency.

The company reported Q3 2016 all-in sustaining costs (AISC) of US\$812 per ounce of gold. That was significantly better than AISC of US\$858 in the same period the previous year.

Looking ahead, management expects full-year AISC to fall to US\$700 by 2022. If gold simply holds its current price of about US\$1,225 per ounce, Goldcorp is set to generate some impressive margins going forward.

### **Gold outlook**

Gold remains volatile, but there are indications that 2017 could turn out to be a strong year for the precious metal.

What's going on?

President Trump's aggressiveness towards key trading partners is starting to make some investors nervous. If he gets nasty with China, more money could flow into safe-haven assets, which would benefit gold.

Europe is also on the minds of global investors these days as Brexit concerns and Italy's banking crisis continue to threaten the financial markets. On top of that, France and Germany have national elections this year.

The refugee crisis could hinder Angela Merkel's re-election bid, and France is potentially looking at a win by Front National leader Marine Le Pen, who wants to liberate France from the "failed European Union."

The markets could very well shrug off any shocks as they did in 2016, but there is a real risk things could get ugly in the coming months.

If that turns out to be the case, gold is likely to benefit.

### **Should you buy Goldcorp?**

Goldcorp is on the mend. If you are bullish on the yellow metal, it might be worth considering a small contrarian position in the stock while the company is still out of favour.

### **CATEGORY**

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