



Is Goldcorp Inc. or Silver Wheaton Corp. Attractive Today?

Description

Precious metals stocks have pulled back in recent weeks, and investors are wondering which names should be on their radars.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) to see if one deserves to be in your portfolio.

Goldcorp

Goldcorp fell out of favour with investors in recent years as falling production, high costs, and weak gold prices forced the company to cut its dividend and launch a restructuring plan.

Management has worked hard to turn the company around, and based on the Q4 2016 earnings report, it looks like things are on the mend.

Goldcorp generated Q4 2016 net earnings of US\$101 million, or US\$0.12 per share, compared to a huge loss in the same period in 2015.

Better gold prices helped offset another drop in production, but the main story is the improvement in operating costs.

Goldcorp's Q4 all-in sustaining costs (AISC) came in at US\$747 per ounce compared to US\$977 per ounce in Q4 2016.

That's a significant improvement, and the company says more good news is on the way.

Over the next five years Goldcorp expects AISC to fall another 20%. Over that same time frame, production and the company's resource base are forecast to increase 20%.

Silver Wheaton

Silver Wheaton doesn't own any mines; it simply provides upfront cash to mining companies to help them move their projects from development to production. In return, Silver Wheaton is given the right to

purchase gold or silver produced at the mine for a very attractive price.

How attractive?

In the Q3 2016 report, Silver Wheaton said its average cash costs were US\$4.51 per ounce of silver sold and US\$390 per ounce of gold sold.

The average realized sale price was US\$19.53 per ounce of silver and US\$1,336 per ounce of gold, so the margins can be quite impressive.

Why would miners agree to such a deal?

Most of the streaming agreements are negotiated on mines set up to produce base metals such as copper or zinc. The gold and silver are simply by-products.

Is one a better bet?

Owning any stocks connected to gold or silver requires a belief that the precious metals are at the beginning of a new long-term rally.

If you are in that camp, both these companies are attractive picks. At this point, Goldcorp is still out of favour with the market, so there might be a contrarian opportunity in the stock.

For investors who want a way to play both gold and silver without taking on direct risks that come with owning the miners, Silver Wheaton is probably the better bet.

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