



Should Goldcorp Inc. Be in Your Portfolio Today?

Description

Gold is catching a surprise tailwind in the wake of the Fed rate hike, and investors are wondering which gold stocks might be attractive right now.

Let's take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) to see if it deserves to be on your radar.

Restructuring efforts

Goldcorp used to be the go-to name in the gold sector, but the stock fell out of favour with investors in recent years.

What happened?

Rising costs, falling production, and a drastic dividend cut sent investors running for the hills.

Since then, management has done a good job of turning the ship around, and the results are starting to show up in the numbers. Goldcorp reported Q4 net earnings of US\$101 million compared to a significant loss in Q4 2015.

Higher prices helped offset a steep drop in output, but the real story lies in the improvements made on the cost side.

Goldcorp's Q4 2016 all-in sustaining costs (AISC) were just US\$747 per ounce compared to US\$977 per ounce the previous year. Going forward, the company expects to see even better results.

Strong outlook

Goldcorp says it should be able to get AISC down another 20% over the next five years. At the same time, production is expected to increase 20%, and the company says reserves could jump by 20% as development work progresses on some promising properties.

One project to watch is the Coffee site which came with the acquisition of Kaminak Gold. Goldcorp says the Coffee land package, which is about 60,000 hectares, could produce additional near-mine

discoveries.

Gold rally?

Gold is regaining the ground it lost in the weeks leading up to the recent Fed rate hike.

Normally, rising interest rates are bad news for the precious metal, but the rate increase was widely expected and the Fed didn't indicate a desire to be more aggressive, which some pundits feared might happen.

This triggered a relief rally that appears to be gaining steam.

Why?

With the Fed uncertainty sorted out, the market is turning its attention to geopolitical risks.

Brexit negotiations are about to begin, and some analysts believe the U.K. and Europe are headed for an ugly divorce.

At the same time, France is about a month away from electing a new president. One of the top contenders, Marine Le Pen, would like to drop the euro and hold a referendum on France's membership in the European Union.

If she wins and follows through on her promises, we could be looking at the beginning of the end of the Eurozone, and potentially the European Union.

Closer to home, President Trump has investors nervous that his attitude towards key trading partners could result in a full-blown trade war. On top of that, markets are wondering what might come out of the FBI's announcement that it is officially investigating Russia's role in the U.S. election and possible "links" to the Trump campaign team.

So, there are ample opportunities for the apple cart to be knocked over in the coming weeks and months.

Should you buy Goldcorp?

Ongoing volatility should be expected in the gold market, and while I think precious metals will trend higher in the near term, the Fed remains a strong headwind, so I wouldn't back up the truck.

However, Goldcorp is on the mend, and investors who think gold is at the beginning of a multi-year rally might want to pick up the stock while it is still out of favour.

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aswalker

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