



## Goldcorp Inc. Is Taking a Plunge: Time to Sell?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) has been a difficult stock to own for long-time investors; it's now down over 60% from its peak in 2011. The stock recently nosedived 7% after news that the company is set to spend US\$1 billion to get into a Chilean joint venture with **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX). There's approximately US\$445 million worth of upfront costs, and the deal will allow the two companies to operate three or more locations in Maricunga region in Chile.

There's no question that the management team has been extremely hungry for new growth opportunities, but is this partnership really going to help the company rebound? The general public doesn't seem to think so.

Andrew Quail of **Goldman Sachs Group Inc.** believes that the deal will be a "slight strategic negative" for Goldcorp because it shows Goldcorp's "lack of large-scale organic growth projects when compared to its peers." Mr. Quail also stated that the deal will be neutral for Barrick, but it may end up being strategically positive down the road as it shares the risk with Goldcorp.

I don't think all the pessimism over the recent news is warranted, but you shouldn't be picking up shares after this dip just yet. Gold could be heading for another downward spiral, and I think there's a lot more downside from here, especially considering how bullish everyone is on the market.

The Federal Reserve is expected to increase interest rates at a faster pace thanks to the Trump Administration, which is expected to give this bull market new legs over the medium term. This is going to be a major headwind for gold stocks, and investors seem to be increasing their exposure to cyclical stocks and moving out of the volatile gold industry. I believe the Trump Rally still has more room to run, and, as a result, gold stocks like Goldcorp will probably see more downside over the next few months.

One thing that worries me about Goldcorp is the fact that there's usually always some issue with one of the company's commercial mines. There's earthquakes, labour disputes, or some other issue that comes up. Sure, some of the issues may be out of the control of Goldcorp, but investors don't care. Sooner or later, they'll get sick of it and opt for an alternative like Barrick, which I believe is a betterplay on gold.

Gold is like an insurance policy for your portfolio. You should always have a small portion of gold, whether it be physical gold or gold stocks. If you own shares of Goldcorp, then just hold on to them and try to ignore the volatility. I wouldn't buy anymore on the dip though.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
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## **Author**

joefrenette

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